



**Flying the flag: Yasser Arafat arriving in the divided city of Hebron yesterday** Photograph: Jerome Delay/AP

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# No Barnes or Amis for us: only Frodo and his hobbit friends

Marianne Macdonald  
Arts Correspondent

JRR Tolkien's *The Lord of the Rings* is the greatest book written this century, according to a poll of more than 25,000 people conducted by the book chain Waterstone's and Channel 4's *Book Choice*.

The top 100 titles chosen - based on a poll carried out over six weeks last autumn - omits anything by the acclaimed modern authors Martin Amis and Julian Barnes but includes Delia Smith, the cookery writer.

The second greatest is George Orwell's seminal study of the future, *1984*, followed by his great political satire, *Animal Farm*. Fourth is James Joyce's *Ulysses* and fifth place goes to Joseph Heller's *Catch-22*.

Gordon Kerr, marketing manager of Waterstone's, said that *The Lord of the Rings* came consistently top at almost every branch in Britain and in every region - apart from Wales, where *Ulysses* made first place.

The poll urged voters to choose "the titles of the five books you consider the greatest of the century". The voting form said they could include anything from *A Brief History of Time* to *Trainspotting* and *Animal Farm*, cookery books or the Highway Code, as long as the books were written this century.

In the event, readers tended toward the conventional, with the selection of books long-designated modern classics such as JD Salinger's *The Catcher in the Rye* (16), Harper Lee's *To Kill a Mockingbird* (7), Gabriel Garcia Mar-

quez's *One Hundred Years of Solitude* (8) and John Steinbeck's *The Grapes of Wrath* (9).

A vast proportion of the top 50 were written in previous generations. The surprise successes of books from recent years were heroin-faced *Trainspotting* by Irvine Welsh (10), *Wild Swans*, Jung Chang's study of the changing lives of herself, mother and grandmother (11), and Douglas Adams' surreal sci-fi comedy *The Hitchhiker's Guide to the Galaxy* at 24.

Surprising omissions from the 100-strong list were Martin Amis, Ernest Hemingway, Doris Lessing, Samuel Beckett and any form of poetry - TS Eliot's *The Waste Land* and *Other Poems* just missed out at 101.

Only 13 books were written by women, with Jung Chang ranked highest, followed by Alice Walker at 18 with *The Color Purple* and Margaret Mitchell, for *Gone with the Wind*, at 23. Nor was Delia Smith forgotten, squeezing in at 83 with *The Complete Cookery Course*.

Non-fiction choices included *The Diary of Anne Frank* (26) and Primo Levi's moving account of life in Auschwitz, *If This Is a Man* (30). Also ranked were Stephen Hawking's scientific study *A Brief History of Time* (79), Orwell's account of living in poverty in the 1930s, *Down and Out in Paris and London* (86) and Richard Dawkins' populist explanation of genetics, *The Selfish Gene* (91).

The most popular children's books were Kenneth Grahame's *The Wind in the Willows* (16), Winnie the Pooh by AA Milne (17). Roald Dahl featured four



Tolkien, whose *Lord of the Rings* has been voted the best book of this century. From top right, Orwell, Joyce and Heller, who joined Tolkien in the top five. There was no place for Amis or Barnes but Delia Smith made number 83

times with *Charlie and the Chocolate Factory*, *Matilda*, *James and the Giant Peach* and *The BFG*, respectively placed at 34, 76, 80 and 97.

*The Lord of the Rings*, the sequel to *The Hobbit*, was written in the mid-Fifties by Tolkien, then Merton Professor of English at Oxford, was initially rejected by two big publishing houses.

It was finally published by Allen and Unwin, which had accepted *The Hobbit*, although it expected to lose £1,000 on the deal. In fact, the three-volume mythological story went on to achieve cult status in the 1960s.

Rayner Unwin, Tolkien's publisher for many years, said he had convinced his father, Sir Stanley, to print *The Lord of the Rings* because he had met Tolkien as a student at Oxford during the war.

Mr Unwin said: "My father was abroad on business and I had to write to him to get permission. I said that I thought it was a work of genius but that I also thought it would lose £1,000."

"He wrote back very astutely. He said: 'If you think it is a work of genius you may lose £1,000.' Of course it didn't lose £1,000. It made quite a lot of money for everybody."

Mr Unwin added that he thought Tolkien, who died in 1973, would have been delighted by the vote of confidence in his book.

"I think he would have been astonished, and probably found a reason for why it was a thoroughly bad idea, but he would have been flattered. He was a difficult man in some ways, but charming in others."

## The top 100 titles

- 1 *The Lord of the Rings* JRR Tolkien
- 2 *Nineteen Eighty-Four* George Orwell
- 3 *Animal Farm* George Orwell
- 4 *Ulysses* James Joyce
- 5 *Catch-22* Joseph Heller
- 6 *The Catcher in the Rye* JD Salinger
- 7 *To Kill a Mockingbird* Harper Lee
- 8 *One Hundred Years of Solitude* Gabriel Garcia Marquez
- 9 *The Grapes of Wrath* John Steinbeck
- 10 *Trainspotting* Irvine Welsh
- 11 *Wild Swans* Jung Chang
- 12 *The Great Gatsby* F Scott Fitzgerald
- 13 *Lord of the Flies* William Golding
- 14 *On the Road* Jack Kerouac
- 15 *Brave New World* Aldous Huxley
- 16 *The Wind in the Willows* Kenneth Grahame
- 17 *War and Peace* Leo Tolstoy
- 18 *The Color Purple* Alice Walker
- 19 *The Hobbit* JRR Tolkien
- 20 *The Outsider* Albert Camus
- 21 *The Lion, the Witch and the Wardrobe* CS Lewis
- 22 *The Trial* Franz Kafka
- 23 *Gone with the Wind* Margaret Mitchell
- 24 *The Hitchhiker's Guide to the Galaxy* Douglas Adams
- 25 *Midnight's Children* Salman Rushdie
- 26 *The Diary of Anne Frank* Anne Frank
- 27 *A Clockwork Orange* Anthony Burgess
- 28 *Sons and Lovers* DH Lawrence
- 29 *The Lighthouse* Virginia Woolf
- 30 *If This is a Man* Primo Levi
- 31 *Anna Karenina* Leo Tolstoy
- 32 *The Wasp Factory* Ian Banks
- 33 *Remembrance of Things Past* Marcel Proust
- 34 *Charlie and the Chocolate Factory* Roald Dahl
- 35 *Or Me and Men* John Steinbeck
- 36 *Beloved* Toni Morrison
- 37 *Poisoned* AS Byatt
- 38 *Heart of Darkness* Joseph Conrad
- 39 *A Passage to India* E.M. Forster
- 40 *Waterland* Graham Greene
- 41 *Sophie's World* Jostein Gaarder
- 42 *The Name of the Rose* Umberto Eco
- 43 *Love in the Time of Cholera* Gabriel Garcia Marquez
- 44 *Rebecca* Daphne du Maurier
- 45 *The Remains of the Day* Kazuo Ishiguro
- 46 *The Unbearable Automaticity of Being* Milan Kundera
- 47 *Birdsong* Sebastian Faulks
- 48 *Howards End* E.M. Forster
- 49 *Brideshead Revisited* Evelyn Waugh
- 50 *A Suitable Boy* Vikram Seth
- 51 *Dune* Frank Herbert
- 52 *A Prayer for Owen Meany* John Irving
- 53 *Barfleur* Patrick Sankard
- 54 *Doctor Zhivago* Boris Pasternak
- 55 *The Gormenghast Trilogy* Mervyn Peake
- 56 *Older with Ropes* Laurie Lee
- 57 *The Bell Jar* Sylvia Plath
- 58 *The Handmaid's Tale* Margaret Atwood
- 59 *Testament of Youth* Vera Brittain
- 60 *The Magus* John Fowles
- 61 *Brighton Rock* Graham Greene
- 62 *The Ragged Dicks* Robert Tresselt
- 63 *The Master and Margarita* Mikhail Bulgakov
- 64 *Sales of the Century* Armin Greder
- 65 *The French Lieutenant's Woman* John Fowles
- 66 *Captain Corcoran's Mandolin* Louis de Bernieres
- 67 *Slaughterhouse 5* Kurt Vonnegut
- 68 *Zen and the Art of Motorcycle Maintenance* Robert Pirsig
- 69 *A Room with a View* E.M. Forster
- 70 *Lucky Jim* Kingsley Amis
- 71 *Stephen King*
- 72 *The Power and the Glory* Graham Greene
- 73 *The Stand* Stephen King
- 74 *All Quiet on the Western Front* Erich Maria Remarque
- 75 *Paddy Clarke Ha Ha Ha* Roddy Doyle
- 76 *Matilda* Roald Dahl
- 77 *American Psycho* Bret Easton Ellis
- 78 *Fear and Loathing in Las Vegas* Hunter S Thompson
- 79 *A Brief History of Time* Stephen Hawking
- 80 *James and the Giant Peach* Roald Dahl
- 81 *Lady Chatterley's Lover* DH Lawrence
- 82 *The Bonfire of the Vanities* Tom Wolfe
- 83 *The Complete Cookery Course* Delia Smith
- 84 *An Evil Cradling* Brian Keenan
- 85 *The Rainbow* DH Lawrence
- 86 *Down and Out in Paris and London* George Orwell
- 87 *2001 - A Space Odyssey* Arthur C Clarke
- 88 *The Tin Drum* Gunter Grass
- 89 *One Day in the Life of Ivan Denisovich* Alexander Solzhenitsyn
- 90 *Long Walk to Freedom* Nelson Mandela
- 91 *The Selfish Gene* Richard Dawkins
- 92 *Jurassic Park* Michael Crichton
- 93 *The Alexandria Quartet* Lawrence Durrell
- 94 *Cry, the Beloved Country* Alan Paton
- 95 *High Fidelity* Nick Hornby
- 96 *The Vanishing Act* Ian McEwan
- 97 *The BFG* Roald Dahl
- 98 *Earthly Powers* Anthony Burgess
- 99 *I, Claudius* Robert Graves
- 100 *The Horse Whisperer* Nicholas Evans

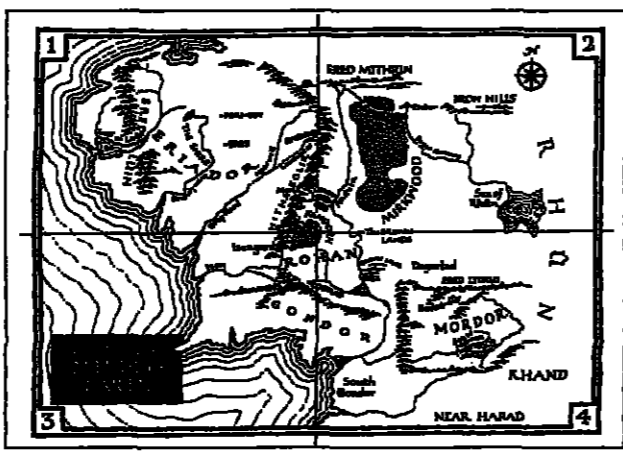
## Enduring spell of a trilogy that leaves the critics cold

Boyd Tonkin  
Literary Editor

The story goes that, when JRR Tolkien read a newly-composed passage of *The Lord of the Rings* to his fellow Christian writers in the Oxford of the 1950s, his friend and colleague CS Lewis muttered: "Not another fucking elf. Scapists still feel much the same."

Tolkien has incurred charges of escapism, nostalgia and reactionary politics ever since the trilogy (first published in 1954-55) broke through to cult status among the young a decade later. Yet the distinguished medieval scholar's tales (which started with *The Hobbit* in 1937) have shifted about 50 million copies, with a recent boost from his centenary in 1992. HarperCollins, his publisher, says they "sell very vigorously all around the world".

Let's assume that the Waterstone's survey hasn't fallen victim to a *Today*-style poll hijack by the shadowy ranks of the Tolkien Society, and that the trilogy legitimately heads its list - with a third more votes than Orwell's *1984* in second place. If true, the epic quest - in which the



Dream world: A map of Middle-earth, originally drawn for the 1954-55 edition by the author's son Christopher

flawed but striving creatures of Middle-earth do battle with forces of Sauron, the Dark Lord - continues to cast its spell almost 30 years after hippie traders first gave names like Gandalf's Garden to their market stalls. The result is nonetheless a surprise. Humphrey Carpenter, who wrote in *The Inklings* about Tolkien's donnish club and who will be talking about him on Channel 4's *Book Choice* tomorrow, says he "had

the impression that the Tolkien culture had dwindled to a hard core of fans", and that a great gulf divides enthusiasts from readers who never succumbed. "There are many people who simply laugh at the mention of Tolkien," points out Carpenter, who also suspects that the Internet culture may have helped to mobilise his anorak-clad troops.

One critic who doesn't laugh is John Clute, editor of the forthcoming *Encyclopedia of Fantasy*. He describes the trilogy, with its hard-won triumph of good over evil and its "earned happy ending", as "a comprehensive counter-myth to the story of the 20th century". Clute stresses that Tolkien began to draft it during the First World War, and that it enshrines his sense "that what had happened to life in the 20th century was profoundly inhuman".

So the idea of escapism meant to Tolkien "not an escape from responsibility but an escape from prison". Clute suggests that Tolkien's lowly critical reputation derives from the Modernists' aversion to plot - "an aberration that allows Establishment critics not to see what a superb act of storytelling *The Lord of the Rings* is".

He admits: "I don't find Tolkien's attitude to women pleasant, and I don't find his Catholicism or his belief in social hierarchy attractive. But that's missing the point. A counter-myth is a description of a universe that feels right - another reality that the soul requires in this waste-land century".

Those elves will be stalking the bookshops for a long time to come.

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## Round-the-world balloonist expected to ditch in India

Ian Burrell

A third attempt to go around the world non-stop by hot-air balloon has ended in failure. The American millionaire balloonist Steve Fossett was expected to come down to earth in India or Bangladesh at around 7am this morning suffering from cold and tiredness. Mr Fossett, who began his adventure from St Louis on Monday, had hoped to become the first balloonist to travel around the world non-stop.

Last night, however, the American's ground crew in Chicago said that the balloon did not have enough fuel to complete the trip. They blamed

Colonel Gaddafi's Libyan regime for undermining the record attempt by forcing the balloon to change course.

Bruce Comstock, the project's technical co-director, said: "We plan to land along the east coast of India, south of Calcutta. Although we are not sure he is going to be able to do that. The wind may blow him in a different direction that may take him near Delhi."

The area in India where Mr Fossett could land is thickly populated and he should be prepared for a noisy reception if and when he lands.

The forced landing follows the failure of two other round-the-world balloon attempts, in-

cluding that led by Richard Branson. One consolation for Mr Fossett, a commodity broker-turned-adventurer, was that he was hoping to break the six-day, 10-minute endurance record for a balloon flight late last night while finding somewhere safe to put down.

He was expected to land between Calcutta and Bangladesh which would enable him to beat the endurance record set in 1981 by the Americans Ben Abruzzo and Troy Bradley.

"That would take him nearly half-way around the world," said Doug Blount, another member of the tracking team at mission control headquarters at Chicago's Loyola University.

"He could go several more days and put down in the middle of the Pacific, but I don't think that's on the cards."

Mr Fossett, 52, broke his own record for balloon distance travel when he passed 5,435 miles over Algeria.

Earlier in the journey, political turbulence over the use of Libyan air space cost Fossett his around-the-world bid. Although Libya later relented and Mr Fossett's Solo Spirit cut across the south-eastern tip of the country, his forced change of route cost him fuel he planned on using to cross the Pacific back to the United States, as well as putting him in a slower wind pattern.



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# Don't work for us, urges BA's least favourite executive

Politics is a bit like football, according to Bob Ayling, chief executive of British Airways. "If your father is a Chelsea supporter, you tend to inherit it to some extent." Apart from his devotion to "The Blues", his father also supported Labour.

While his years in the civil service taught him to be "professionally non-political", Mr Ayling is known in the City as a "left-wing capitalist". A member of Labour for a year in his 20s, he left because he was "horrified at the daft things that were discussed". Like his friend Jack Straw, Labour's home-affairs spokesman, Mr Ayling would almost certainly find a political home in the outer, right-wing reaches of the Blair camp - yesterday the party confirmed that he is among a group of prominent businessmen who regularly dine with Tony Blair.

"I know what's needed to be economically successful, but I also understand some of the social implications of life, what affects ordinary people," he says.

You could have fooled some of his employees. He has been taken aback by the fury engendered by his radical "Business Efficiency Plan" to save BA £1bn in three years to keep prof-

**Barrie Clement meets the 'left-wing capitalist' who is trying to slash 5,000 jobs at the airline**

its rolling in. On a visit to assess morale, he asked a stewardess how she felt about his strategy. She belaboured him for an hour about the 5,000 redundancies he is seeking: about pay cuts he is demanding and about deteriorating conditions. The £565,000-a-year Mr Ayling was accused of ignorance about the misery he was causing.

What baffled the stewardess most was the need for massive cost-cutting in the wake of record profits. Mr Ayling, whom even union officials describe as "charming", did his best to reply. Eventually however he retired from the fray with as much dignity as he could muster. "I believe in being straightforward with people and I don't expect them to be deferential," he says.

Posters on BA noticeboards show deference is in short supply. In some he is compared with Hitler, in another he is found guilty of crimes against BA employees: "Lock him up and throw away the key." He concedes that as far as his staff are concerned, he is not the world's favourite chief executive.

But he believes BA faces a tidal wave of competition fostered by deregulation; he says cost-cutting and efficiency improvements are vital to ensure not only the profitability of the company but its survival.

Shareholders and analysts expect £1bn profits by 2000, says Mr Ayling and, with mounting costs, BA will fail to achieve that without efficiency measures.

"People at BA have not been affected by the recession like employees in other businesses. Other people have lost their jobs, their businesses and their homes. They don't know how people are treated in other industries. I feel for every one of them, but I do sincerely believe that unless we achieve an improvement in our competitiveness, the dangers we face will be far greater than the effects of the changes." It is not as if BA is a bad employer, he argues.

Labour turnover is negligible - less than 2 per cent leave a year - and severance payments are among the most generous in British industry. Although he does not rule it out, compulsory redundancies are not envis-

aged. Mr Ayling, 50, has an unconventional background for a captain of industry. At 16 he had to leave a fee-paying school after the failure of his father's grocery business in south London. He was articled to a solicitor

and at 24 he was a partner in a practice. At the age of 37 he was an under-secretary at the Department of Trade and two years later was poached by BA. He was successively legal director, company secretary and director of human resources. Just over a year ago he was made group managing director.

He insists he is not in sway to some fashionable management philosophy. "I don't read books about management. Most of them are extremely badly written." Mr Ayling's plan bares comparison however with the changes wrought at the BBC by John Birt. At its most basic, an organisation should examine what it needs to do "in-house" and consider farming out the

rest. Mr Ayling has mulled over such an approach with Mr Birt in Crickadarn, a village near Hay-on-Wye, where they both own retreats. At BA, Mr Ayling and his board have undertaken such an exercise to see which services can be "outsourced" but have yet to come to final conclusions. Hence the uncertainty and alarm.

In one poster he is accused of running the company through "stealth and fear". He prefers to think he is "open and honest". The openness has not extended however to strategy drawn up by the company in case of industrial action in protest at his plans. Some of his executives are talking of a "Day Zero", in which new condi-

tions are imposed on the workers. Hundreds of managers have already been trained to take over the jobs of their ground-staff subordinates.

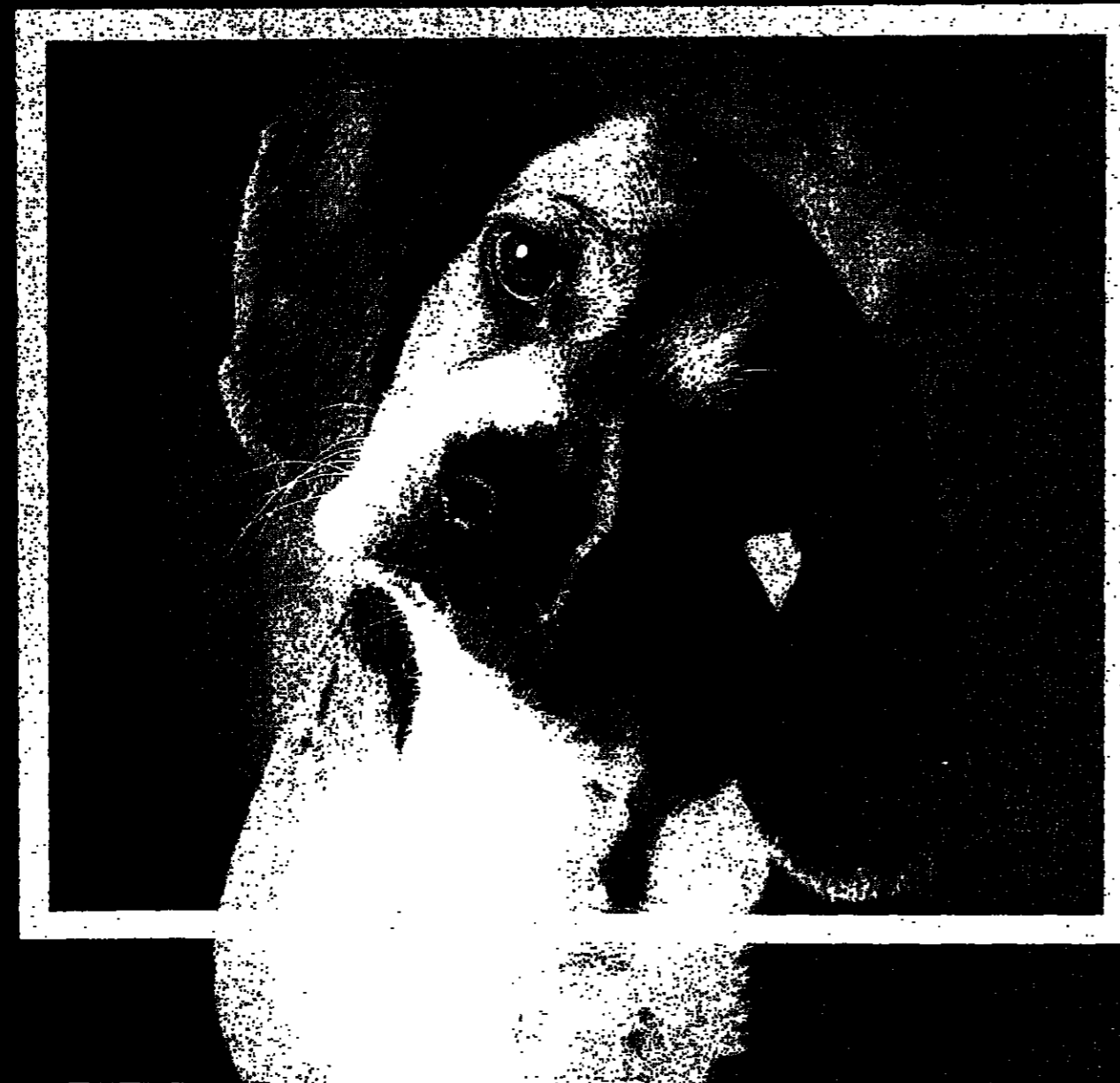
Despite his reputation, in the City at least, as a caring capitalist, Mr Ayling does not believe the concept of "fairness" has a place in boardroom deliberations. "In a way what we're doing isn't fair. In the same way as it's not fair that nurses in the NHS are not paid more than they are, which we'd all like to see, just because we're human beings. We don't sit down and consider whether decisions may be fair or not. We try and find out how we can make people fly in our aeroplanes rather than other people's."



Turbulent flight: BA's chief executive, Bob Ayling, who has been taken aback by the fury over his 'efficiency' plan

Photograph: John Peas

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## City 'superwoman' supports Labour

**Jill Treanor**  
Banking Correspondent

Nicola Horlick, the City "superwoman" who shot to fame last week when she went to great lengths to be reinstated in her £1m-a-year job, emerged as an unlikely supporter of the Labour Party at the weekend after revealing her ambition to become an MP.

However, her aims are unlikely to be achieved at this general election as Labour sources said she did not appear to be a party member and explained that only six seats were left for selection.

Her assertion that she was already an adviser on taxation to Labour failed to be confirmed by the office of Gordon Brown, the shadow Chancellor, last night. A source at his office said no one had heard of her.

The *Sunday Express* quoted Mrs Horlick as saying: "I hope that Tony Blair will win the election."

"In a democracy it is wrong for the same party to stay in power

for so long. I believe Mr Blair's policies are extremely sound and what the country needs."

Mrs Horlick, who is dubbed superwoman for her ability to combine her hectic family life - she has five children and an investment banking husband - and her demanding job as a pension fund manager, withdrew from the glare of the press yesterday to attend a family party.

She has also been advised not to talk any more about her argument with her former employers, Morgan Grenfell Asset Management, in case it jeopardises her lawsuit and the ongoing internal investigation by the company. This followed a number of days of intense media attention after one of the biggest rows ever seen in the City over a resignation.

Mrs Horlick gained enormous publicity, with the help of Anthony Cardew, a financial public relations adviser in the City, for her attempts to get back her job.

On Friday she stormed to the London offices of MGAM be-

fore flying to Frankfurt to demand back her job from the parent company, Deutsche Bank. She denies MGAM's allegations that she was attempting to poach a team of fund managers from the firm despite being offered promotion the previous week.

She has also appointed John Farr, a leading lawyer at Herbert Smith, to pursue a claim from the firm, which could run into millions of pounds, for unlawful dismissal.

Sources warned the publicity would not help her gain employment again in the City although one friend asserted that she was "hot property". "She's the sort of person who would be offered jobs pretty regularly," the friend said.

Mr Cardew said he was surprised by the amount of publicity the events of last week caused. "If she had been a man it would have taken one and a half paragraphs on one day. It really has been blown up out of all proportion," he said.

Morgan's battle, page 18

## Labour steps in to select Shore's heir

**Fran Abrams**  
Political Correspondent

The Labour leadership has stepped in to impose a shortlist on the east London seat which was the last to be told it must select from an all-female list.

Bethnal Green and Bow Labour Party, which was about to select from an all-women shortlist when an industrial tribunal ruled that the process was illegal, must now send all its applications to Watworth Road for approval.

Members in the area, where the sitting MP Peter Shore is retiring, expressed anger and disappointment at the move last night. There were rumours that the leadership wanted either to exclude one of the local front-runners or to include a candidate of its own choice.

Among Labour hopefuls still looking for a seat is Alan Howarth, the former Conservative minister who defected. However, party sources have denied that they would force the seat to take him.

At a meeting last week, officials from Labour London regional office told local members they would not be allowed to draw up their own shortlist from nominations, which is the normal practice.

Instead, more than 100 people who have expressed an interest in the seat will be asked to send in CVs, which will then be passed to the National Executive Committee. A One-Member-One-Vote ballot will then be held in the constituency based on the NEC's shortlist.

This is the third time that Bethnal Green and Bow Labour Party has tried to select a candidate to replace Mr Shore. The process was halted in November 1995 when an all-women shortlist was imposed and again in January 1996, when a tribunal ruled that such lists were illegal.

There had been rumours that the party leadership wanted to prevent the deputy leader of Tower Hamlets council, Rajan Jalal, from standing. Mr Jalal was once suspended from

the party over allegations that he once accused a former council leader of inciting racial hatred - a charge which he denied.

Last night Mr Jalal said he still hoped to be on the shortlist for the seat and dismissed rumours about his chances as the work of opponents. "I am angry the selection has taken so long, and I am angry that people are only getting half of democracy. But in the end I am happy some sort of selection is happening and that the membership will have a vote," he said.

The constituency secretary, Julian Sharpe, said: "The feeling at the meeting was of disappointment and not a little anger. The reason they have given is that the election could be called at any time and they want a candidate in place by the end of February."

A Labour Party spokesman said Bethnal Green and Bow was one of six seats which had not yet selected a candidate. None of the others had been told it was to have a shortlist imposed on it, he said.

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## Designer takes the bridal path to wow Paris shows



The French designer Gerard Pipart celebrating the end of the Nina Ricci haute couture show in Paris. Elsewhere, there was a muted reception yesterday for the first show for Givenchy by the British designer Alexander McQueen. He took over the prestigious name last year. Photograph: AP

## Cyberspace – final frontier for EU taxman

Ian Burrell

A revolutionary new "information tax" on television, faxes and use of the Internet is being examined by the European Union.

An EU working party is attempting to establish how much revenue could be generated from a "bit tax", charged on the transmission of "bits" of digital information.

Professor Luc Soete, chairman of the EU's high-level experts group, claims the new tax would transform the economies of member states. "The global way we can consume is undermining our national consumption taxes, and we should therefore move into other directions and find new tax systems," he says in an interview tonight on BBC 2's *The Net* programme. "The idea is to start with a 'bit tax'. You charge a small amount, a cent of a dollar for every megabit."

Tax collectors across Europe are concerned that they are being increasingly bypassed as global transactions and purchases of information are made with new technology. Under a bit tax, every fax transmission, telephone call, use of the Internet or use of digital television could be logged and taxed.

Among those who have been involved in the debate is Professor Ian Angell, of the London School of Economics. He said that huge amounts of tax revenues were being lost as traditional forms of trading were abandoned.

Forecasts for revenues from both VAT and income tax are not being attained. The US estimates that \$3bn (£1.8bn) has been lost as American consumers make Internet purchases from mail order companies.

Professor Angell said: "Bit tax is one of the targets of the taxman to somehow drag back some of the tax base he has been losing in cyberspace. You have got cross-border data flows which are bypassing VAT."

"The EU has been discussing this and Customs and Excise have been looking at it. I gave a talk to Customs last year and they said they were looking at the feasibility of a bit tax. They are obviously very worried that the tax base is being reduced."

Professor Angell believes, however, that there would be great difficulty in introducing such a tax because so much transmitted data does not have any commercial value.

Neil Barrett, author of *The*

*State of the Cybernation*, said the demand for the bit tax was being fostered by the growing trade in services, music, software and other goods over the Internet – "hence the requirement to move away from value added [tax] in association with tangibles to the proposed idea for a bit tax which would be based on a purely intangible tax on quantity of information."

Some companies, who have learnt of the talks are deeply concerned. Chris Wise, of Ove Arup and partners, said his company transmitted 90 million megabits of data a year – a potential £1m tax liability.

According to Professor Soete, the bit tax is designed to boost the economy not hinder it. "The purpose is to raise additional revenues which are in line with the emerging information society and to put it back in the economy on those production factors which are now being overtaxed and reducing competitiveness."

A spokesman for Customs and Excise said the department was keeping a watching brief. "If Brussels comes up with something we will obviously be interested. We will be interested in seeing what is in the best interests of the UK."

## Low blood stocks pose threat to operations

Joanna Snicker

Blood stocks are at a potentially critical level despite the success of the pre-Christmas donor campaign, it was revealed yesterday.

The National Blood Service (NBS), which runs transfusion centres, warned that another cold spell or a sudden demand on the blood stocks could have serious consequences, including the cancelling of operations. At present supplies of blood are at 12,000 units which is more than half the maximum stock reached before Christmas.

Peter Gibson, head of communications for London and the South-east, said this year was unique because of the juxtaposition of a severe weather spell

and a flu outbreak. "There has been a 50 per cent drop in supplies in three weeks. The severe weather meant sessions were cancelled, pipes burst, vans got stuck and demand just jumped within two to three days."

Transfusion centres in London and the South-east, which supply 40 per cent of the national blood supply, were yesterday down to a third of their usual supply of the most common group – O positive.

"If it doesn't pick up there is potential disaster," he said. "It is really important that hospitals don't close. People only respond when there is a problem, but every year hospitals need more blood."

Only 5 per cent of potential donors give blood although be-

fore Christmas, the NBS registered the highest ever blood stock at 25,000 units in the wake of a highly publicised advertising. The London campaign was the most memorable using a seven-year-old boy who had undergone 22 operations in the past two years.

The National Blood Authority, which oversees the distribution of blood across the country, yesterday denied that the situation was critical. "The position is tight. More people are needed to come forward," said a spokeswoman. "But we are not at that stage yet. We are managing to keep up and we are meeting hospital demand."

■ The National Blood Authority can be contacted on 0345 711711

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## INTEREST RATES

The following interest rates on our currently marketed investment accounts become effective from 20th January 1997.

| Product   | Balance   | Gross % rate | Net % rate |
|---|---|--------------|------------|
| <b>TESSA</b>  | with Annual Interest                                  | 6.00         | 4.80       |
| <b>BONUS 90*</b>  | £50,000+  | 5.75         | 4.60       |
| 90 day  | £25,000 to £49,999                                    | 5.30         | 4.24       |
| (Annual interest rates)                                     | £10,000 to £24,999                                    | 5.10         | 4.08       |
|   | £5,000 to £9,999                                      | 4.95         | 3.96       |
| * Rates shown include annual bonus (1.00% gross, 0.80% net) |   |              |            |
| <b>60 DAY ACCOUNT</b>                                       | £50,000+  | 5.70         | 4.56       |
| (Annual interest rates)                                     | £25,000 to £49,999                                    | 5.20         | 4.16       |
|   | £10,000 to £24,999                                    | 4.95         | 3.96       |
|   | £5,000 to £9,999                                      | 4.20         | 3.36       |
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|   | £500 to 4,999   | 2.35         | 1.88       |
|   | £5 to £499  | 0.95         | 0.76       |
| <b>NEW GENERATION ACCOUNT</b>                               | £5 to £499  | 1.90         | 1.52       |
| (Annual interest rates)                                     | (for £500 and over, rates as for Classic Gold Annual) |              |            |
| <b>TREASURER'S ACCOUNT</b>                                  | £50,000+  | 3.35         | 2.68       |
| (Annual interest rates)                                     | £25,000 to £49,999                                    | 2.90         | 2.32       |
|   | £10,000 to £24,999                                    | 2.40         | 1.92       |
|   | £5,000 to £9,999                                      | 2.15         | 1.72       |
|   | £500 to £4,999  | 1.90         | 1.52       |
|   | £5 to £499  | 0.25         | 0.20       |

For monthly income accounts, the gross monthly applied rate has been adjusted to ensure that the compounded annual rate continues to equal the gross rate paid on annual interest accounts.

ALL OTHER CLOSED AND FORMER ISSUE VARIABLE RATES HAVE ALSO BEEN INCREASED. FULL DETAILS OF INTEREST RATES ON ALL ACCOUNTS ARE AVAILABLE AT ALL BRANCHES OF THE SOCIETY.

## PLEASE NOTE:

- The contracted rates are the gross rates shown above. Net rates of interest are for depositors only and allow for the deduction from the gross rate of income tax at the appropriate rate (currently 20%) which may be reclaimed by non-tax payers.
- Gross rates of interest do not take account of income tax. If you qualify to receive your interest at the gross rate (in without deduction of tax), to comply with Inland Revenue Regulations you will need to instruct us to complete and return to the Society a registration form.
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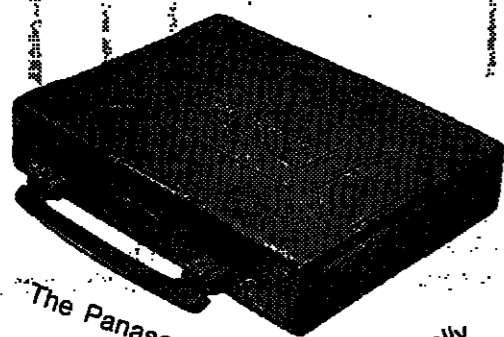
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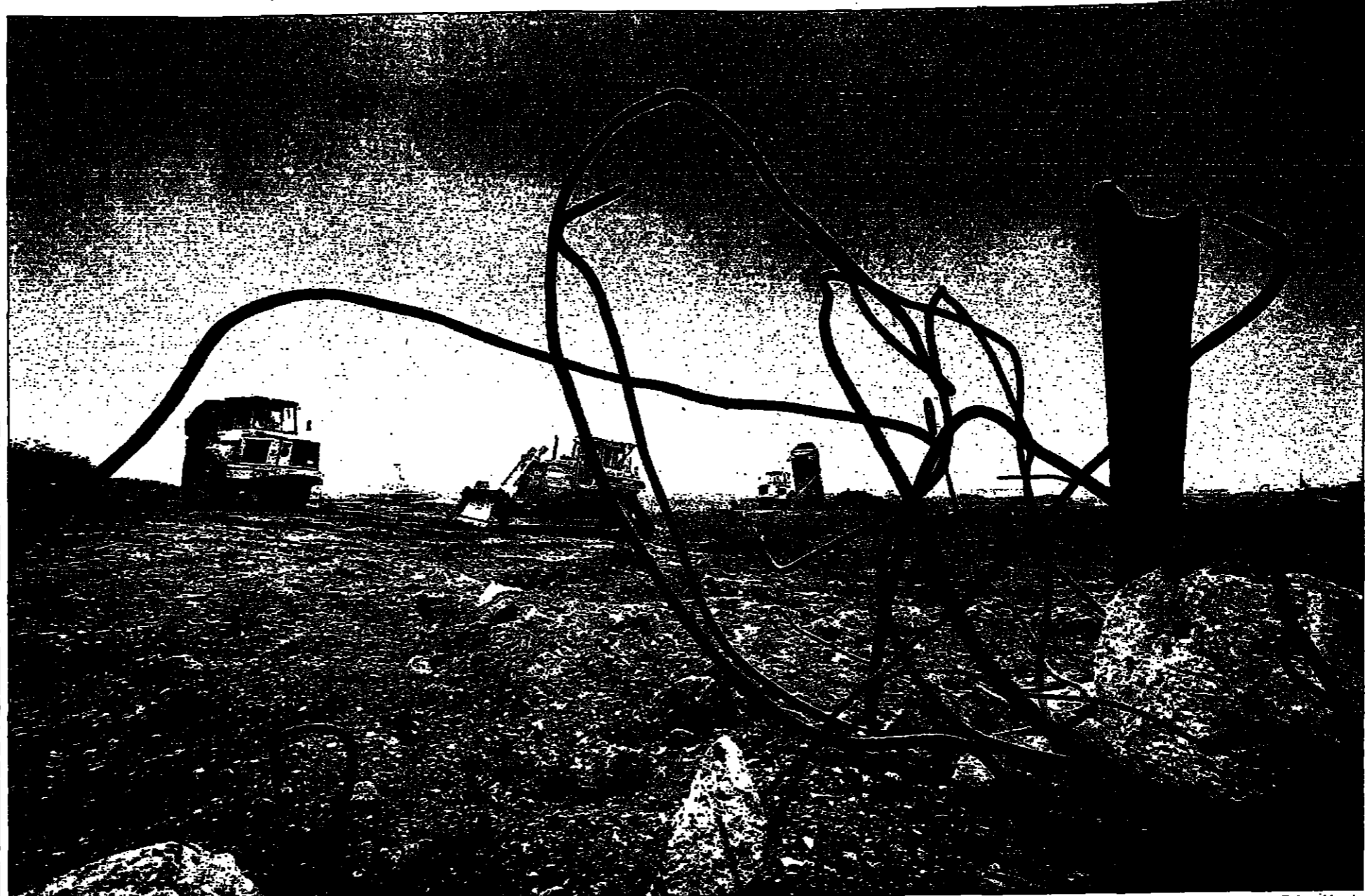
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Salvage operation: Dumper trucks and a bulldozer cleaning up the Millennium Exhibition site in north Greenwich

Photograph: Brian Harris

## New dawn for poisoned peninsula

Nicholas Schoon  
Environment Correspondent

Whether or not the Government's great pleasure dome is built at Greenwich in time for the millennium, the job of cleaning up the poisoned land at the exhibition site in south-east London is nearing completion. After three decades of dereliction it can at last be used. Today the huge Victorian gasworks site on a sharp bend in the tidal Thames is a place of stinking vapours, endless black mud and rubble. Across the desolate landscape move huge yellow dumper trucks, shifting clay and earth, and workers wearing masks to protect them from toxic fumes.

The dome itself is planned for the tip of the narrow peninsula created by the bend in the river. There is very little left standing above the surface – a couple of big ventilation shafts for the Blackwall road tunnel beneath the Thames and two portable lavatory cubicles. To enter the site you have to don overalls, Wellington boots, and mask as well as hard hat. On leaving, you have to wash polluted mud off the boots in a decontamination area. Vehicles also have to be washed down. For decades, this was a booming industrial site where coal was converted into town gas. Old aerial photographs show it

crowded with storage tanks, yards, roads and railway lines, pipework and the other paraphernalia of industrial chemistry. Tars, sulphuric acid, ammonia as well as gas were produced there. By the early 1960s, however, all of the chemical works had closed down, and most of the area became derelict, with a jungle of buddleia bushes smothering the surface as the nation switched to North Sea gas. The land was cursed as far as long-term, high-value development was concerned. There were no public transport links and it was isolated by the encircling river. The presence of a motorway running through

the middle was little help, for any major development would have required expensive new slip roads and a junction. But the biggest curse of all was the widespread contamination by a variety of toxic chemicals, some carcinogenic, some capable of burning skin, and heavy metals. So this prime site near the heart of the capital was left idle for 30 years apart from some temporary development. Not until the landowner, British Gas Properties, decided to help pay for a new tube station there, on the Jubilee Line extension, did major development become possible. British Gas knew of several severe

"hot spots" with particularly high concentrations and quantities of hazardous chemicals. One of these was a big underground tar tank which had been shattered by a Luftwaffe bomb. But the chemicals left in the ground by years of spills and leakages dotted around the site have spread widely with the flow of groundwater. One type of waste, a catalyst contaminated with cyanide, was used as a foundation for roads there. The decontamination work has involved pumping up contaminated water and separating out the noxious chemicals, and taking away hundreds of lorry loads of the most contaminated soil to landfill sites. Some of

the less polluted material has gone through a filtration process. The construction of the Jubilee Line underground station has produced great mounds of excavated clay, which are being used to provide capping material for spreading over the tainted soil beneath. Phillip Kirby, construction and environment director for British Gas Properties, said the initial land reclamation project would finish on time at the end of this month, at a cost of £10.5m – leaving the 60-acre dome site ready for construction to begin. But, the total area of the site is 263 acres so there is plenty more work to be done.

## Divers battle to repair stricken tanker

Salvage work was continuing last night on a stricken petrol tanker which collided with another vessel in the Channel, spewing thousands of tonnes of petrol into the sea.

Divers are battling to repair holes in the hull and tank of the Bahamian-registered *Bona Fulmar*, while rescue teams pump

inert gas through the tanker in a bid to prevent an explosion. It is hoped that the 47,000 ton tanker, whose engines were not damaged in Saturday night's collision, could make her way to the nearby port of Rotterdam once repairs have taken place. A spokesman for Dover Coastguard said last night:

"Work is still being carried out on the tanker and she might be able to move tonight, either with the help of tugs or under her own steam. Most of the spilled petrol seems to have now evaporated. The *Bona Fulmar* collided with the Mexican chemical tanker *Teoatl* in thick fog off the coast of Ostend, 32 miles from

Dover. Around 9,000 tonnes of unleaded petrol spilled from the ruptured tanker, which was heading for the North Sea. The *Teoatl* was undamaged. Experts said that the fact the *Bona Fulmar* was carrying unleaded petrol rather than oil averted what could have been a major ecological catastrophe.

## Surrogate mother in fraud inquiry

Steve Boggan

A 28-year-old surrogate mother is at the centre of a police fraud inquiry following allegations that she went through a process of artificial insemination by two childless couples at the same time.

Derbyshire police confirmed yesterday that Angela Richardson had been arrested and released on police bail following a complaint from Debbie and Greg White from Claverton, in Somerset.

According to an article in yesterday's *Mail on Sunday*, Mrs Richardson demanded £10,000 from the Whites in return for having a baby. She was inseminated with Mr White's sperm

in January 1996 and the couple were informed only two weeks later that she was pregnant.

However, the Surrogate Parenting Centre in the Midlands says it has a record of Mrs Richardson travelling to Sweden for artificial insemination by another man the following month. She gave birth to a boy last August but has refused to hand over the baby to the Whites.

Neither Mrs Richardson nor the Whites could be contacted yesterday. A spokesman for Derbyshire police said: "A 28 year old woman was arrested on 22 December on suspicion of deception. She was released on police bail until 5 March. No charges have been brought at this stage."

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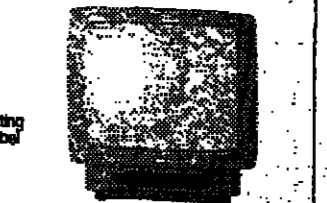
## TO OWNERS OF MATSUI 1424 14" COLOUR TELEVISION SETS AN IMPORTANT SAFETY ANNOUNCEMENT

As part of our continuous quality programme, we have discovered that a component within the Matsui 1424 (14"/34cm visible screen size) portable television set may overheat, and in certain circumstances catch fire. These sets were sold through Dixons and Currys stores from January 1993 onwards. This recall applies to the Matsui 1424 only and no other Matsui television. The model number can be located on the rating label (see below).

We are asking owners to contact us so we can modify the set. This will be done free of charge and at a time that is convenient for you.

You should unplug and not use the set until you have contacted the number below for full safety instructions.

Owners should contact our Customer Services Department 0541 541 541 or by post at Mestercare, Department 1424, Maylands Avenue, Hemel Hempstead HP2 7TG.



Cour  
cripp  
poll  
sleigh  
han

Louise

DAILY P

Leaf-Girl

The poem appears in Kevin...



Sea change: Gordon Eaton collecting Penclawdd cockles, which are not a priority for protection by some councils, says fisheries officer Bill Davies (rear) Photograph: Rob Stratton

## Dredgers threaten to suck the life out of cockle beds

Nerys Lloyd-Pierce

The cockle-gatherers of Penclawdd, who have been harvesting shellfish by hand in the Burry Inlet in south Wales for generations, could soon be no more.

Local authorities are threatening to abolish the regulation body for the industry, the South Wales Sea Fisheries Committee (SWSFC), which could allow mass dredging and swiftly diminish shellfish stocks. Set up in 1921 to protect breeding stock, the committee limits harvesting to 300kg per person per day.

Dredging would allow powerful suction dredgers from East Anglia and Holland to operate in the area. Capable of lifting 10 tonnes of shellfish an hour, these vessels generate a large profit for their operators but could wipe out stocks in the 11,000 acre estuary in months. The loss of the cockle-gathering

tradition could be catastrophic to the rural economy of the Gower Peninsula: although only 44 licensed operators rake and sift cockles on the Burry Inlet, many more are employed in spin-off jobs such as processing.

Third-generation cockle man Brian Jones and his family run a £250,000 processing plant on the estuary, says that the termination of the committee could sound the death knell for Penclawdd.

"The fisheries committee plays a major part in our industry, if we didn't have that the local trade would collapse as it would be a free for all," he said.

Bill Davies, fisheries officer with the committee said: "Funding this body is relatively inexpensive, but since the reorganisation of the unitary authorities last year some of the county councils share in the funding of the SWSFC now no longer have a coastline, therefore keeping up their contribution is hardly a priority."

## Councils crippled by poll tax sleight of hand

Louise Jury

Many councils are facing a mounting financial crisis after the Government encouraged them to cut their contributions to staff pensions' funds to help balance poll tax budgets.

Liberal Democrats in one borough, Waverley in Surrey, claim its residents are having to pay an extra £25 each this year because the former Tory administration used the government-sanctioned "sleight of hand" to cut community charge bills.

The cost to that council of the need to restore the full pensions fund - combined with adjustments to housing budgets - claims were also raised - will be an estimated £1.3m by 1999-2000.

Anna Thomson, the council leader, said: "You can wrap it up any way you like, but the reality is we're having to pay the price of the poll tax."

The relaxation of rules introduced in 1989 in England and Wales was condemned as "crazy" by many local government staff. Instead of requiring funds to have enough assets for 100 per cent of their pension liabilities, the limit was dropped to 75 per cent.

After three years, the 100 per cent solvency rule was reinstated but no time scale was laid down for that figure to be attained.

However, the problems created have now been compounded by high redundancy and early retirement rates which, while cutting councils' salary bills, put more pressure on the funds.

Richard Cockcroft, corporate services director of Gloucestershire County Council, said the relaxation of the rules was a "bad mistake". "It was a crazy and a fatal move. Everybody in the industry - the pension fund managers, actuaries, everybody except the politicians - said, 'This is bad economics'."

Gloucestershire had kept its contributions rates deliberately high after the 100 per cent rule was reinstated but was still alarmed to learn that its funds were lower in 1995 than in 1992, he said.

All but two or three authorities were facing a significant increase in their contributions, according to the last survey by the Society of County Treasurers.

In some cases, instead of matching or slightly bettering employees' contributions, authorities were having to pay in double to restore their pension funds to full solvency. "That is quite a burden," Mr Cockcroft said.

The problem has also been raised at the pensions panel of the Chartered Institute of Public Finance and Accountancy.

But not all authorities followed actuarial advice because of political expediency. "They will not be in a healthy state now. Putting the money in today would be more expensive."

Anna Thomson in Waverley said the council treasurer has advised them their pensions burden will increase, at a time when their revenue support grant from central government has been cut - by 42 per cent last year and a further 8.2 per cent next.

"We have to take the view that it is convenient for [Conservative] Central Office if we have huge budget problems," she said.

However, Ann Mugford, a councillor who was Conservative group leader at the time of the decision, said the Liberal Democrats were throwing up a smokescreen to hide their mismanagement.

But she admitted she had not been aware of the consequences of the earlier decision.

"At the time we were led in a certain direction to do something we couldn't see any reason not to. It was as simple as that," she said.



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1.2 litre 60 bhp D.I.E.T. engine and a 5-speed gearbox, Nicole will love driving either car. (Thanks to a computer padlock engine immobiliser, no-one else will get the chance.)

Papa is no help. Now he knows both models have front seat belt pretensioners, side impact protection and driver's airbag (optional on the Versailles), he's happy whatever his daughter decides.

They can't be split on value either. Both cost astonishingly little for their equipment levels, with Versailles prices starting at just £7,895 on the road.

No, Nicole will just have to find another way of deciding. Any ideas?

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## DAILY POEM

Leaf-Girl

By Kevin Crossley-Holland

Round and round the trampled ground between the flaming maple and the black walnut, and out across the nickel rink to the winter warming-hut, round, round with bounds and yells, skips and little rushes you chased October leaves.

Curly, shout, leap and spin, your pale face thin and hair haywire, the best red-gold: so you became the leaves you caught. And watching you I think I thought there's some movement, some pursuit best expressing each of us.

This poem appears in Kevin Crossley-Holland's latest collection, *The Language of Yes*, published last autumn by Enitharmon. He will be reading tomorrow at 7.30pm in the Voice Box at the Royal Festival Hall.

ninsula

rogate mother  
fraud inquiry

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## international

**Albanian turmoil:** Clashes sparked by catastrophic collapse of phoney saving schemes bring chaos to the capital's streets

# Broken heads follow fury at bank scam

Andrew Gumbel

Thousands of Albanians who have lost their money in failed "pyramid" saving schemes thronged into the main square of the capital, Tirana, for an anti-government rally yesterday, only to be beaten back by police who lashed out at the crowds with truncheons and smashed up the stage and sound system being used by opposition leaders.

The incident was the culmination of four days of street protests in Tirana and other big cities sparked by the latest banking collapse. It raised the political temperature higher than it has been since opposition leaders were beaten up in the wake of last May's rigged general elections.

Several demonstrators stumbled away from the rally with bloodied faces. People closest to the opposition leaders in the centre of Skanderbeg Square were the most roughly handled, as plainclothes officers swooped in to stop the speeches. The thousands of uniformed riot police who ringed the area were less brutal, partly because many have lost their savings too.

The pyramid schemes, which have thrived over the past four years in the absence of a conventional banking system, offer extraordinarily high rates of interest on hard-currency deposits – more than 10 per cent per month. But they rely on depositors coming forward to keep going. Hundreds of thousands of Albanians have entrusted their last assets to them

in the hope of getting rich quick, but without asking themselves how the banks operated and how long they were likely to survive.

President Sali Berisha has taken pains to dissociate himself from the schemes in the past few days, but it is inconceivable that they could have operated without the government's active approval.

In Serbia, where pyramid schemes thrived in 1992-93 before disappearing overnight, they were a perfect vehicle for money-laundering and illegal government manipulation of people's savings.

Like Slobodan Milosevic's Serbia, Albania has a heavily clientelistic economy that is strictly controlled by the country's political leadership.

With Serbia's street revolution very much in the news in Albania, many of yesterday's demonstrators used the occasion to vent their fury at the government. "Down with the dictatorship!" was a common cry. "First the government stole our votes, now it is stealing our money," was another.

Albania has effectively been a one-party state since last May's fraudulent elections and the opposition has refused to take up the few seats it was grudgingly offered. The European Union has been reluctant to call President Berisha to order as it feels it needs him to exert a stabilising influence on Albanians in Kosovo and Macedonia. It also fears a return of the Socialist Party, heirs to Enver Hoxha's Communists.



Bloodshed: An anti-government demonstrator injured by police is helped from Tirana's main square Photograph: AFP

*Never mind the January sales, here's the latest round of BT price cuts.*

*International calls cut between 10% & 37%*

| Five minute international call to | Time of day | Before Feb 19th | From Feb 19th | Percentage reduction | Price with Friends & Family and PremierLine |
|-----------------------------------|-------------|-----------------|---------------|----------------------|---|
| Sweden                            | Daytime     | £2.28           | £1.43         | 37%                  | £1.07                                       |
|                                   | Evening     | £1.93           | £1.34         | 30%                  | £1.00                                       |
|                                   | Weekend     | £1.80           | £1.17         | 35%                  | 87.6p                                       |
| USA/Canada                        | Daytime     | £1.49           | £1.19         | 20%                  | 88.6p                                       |
|                                   | Evening     | £1.41           | £1.13         | 20%                  | 84.2p                                       |
|                                   | Weekend     | £1.31           | £1.05         | 20%                  | 78.2p                                       |
| France/Germany                    | Daytime     | £1.78           | £1.43         | 20%                  | £1.07                                       |
|                                   | Evening     | £1.49           | £1.34         | 10%                  | £1.00                                       |
|                                   | Weekend     | £1.30           | £1.17         | 10%                  | 87.6p                                       |
| Australia/New Zealand             | Daytime     | £2.73           | £2.45         | 10%                  | £1.84                                       |
|                                   | Evening     | £2.33           | £2.10         | 10%                  | £1.58                                       |
|                                   | Weekend     | £2.21           | £1.99         | 10%                  | £1.49                                       |
| Nigeria                           | Daytime     | £6.56           | £5.26         | 20%                  | £3.94                                       |
|                                   | Evening     | £5.53           | £4.95         | 10%                  | £3.72                                       |
|                                   | Weekend     | £4.95           | £4.45         | 10%                  | £3.34                                       |
| Israel                            | Daytime     | £5.68           | £3.98         | 30%                  | £2.98                                       |
|                                   | Evening     | £4.59           | £3.67         | 20%                  | £2.76                                       |
|                                   | Weekend     | £4.25           | £3.38         | 20%                  | £2.54                                       |

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## significant shorts

### Bulgarians rally to new president

Tens of thousands rallied nationwide in support of President Petar Stoyanov, who was sworn in as Bulgaria's second democratically elected president.

The country's political rivals set aside their differences for the brief ceremony in Parliament to show respect for the man they hope can help resolve the country's political crisis as a prelude to urgently needed economic recovery. In his acceptance speech, Mr Stoyanov, 44, said Bulgarians want real market reforms and hope for a future that will encourage the country's young people to stay rather than following thousands who have emigrated in the past few years. AP - Sofia

### First private art museum

China has opened its first private museum displaying artworks, the Xinhua news agency said. The Guanfu Classic Art Museum opened in Peking on Saturday and was holding an exhibition of porcelain from the Ming and Qing dynasties, Xinhua said. Ma Weidu, 42, a former publishing house editor, opened the museum based on his private collection. Peking - Reuters

### Africa leader suspended

The Common Market for Eastern and Southern Africa (Comesa) has suspended its secretary-general Bingu Wa Mutharika for alleged financial irregularities. A final decision on Mr Mutharika's status in the organisation is expected to be taken at a scheduled summit in March. Reuters - Lusaka

### Heirs to Kohl's throne listed

The parliamentary leader of Helmut Kohl's Christian Democrats, who earlier this month mentioned himself as a possible successor to the Chancellor, named eight more possible contenders. Wolfgang Schauble, named Kurt Biedenkopf, premier of Saxony, Edmund Stoiber, premier of Bavaria, Finance Minister Theo Waigel, Defence Minister Volker Ruehe, Interior Minister Manfred Kanther, Education and Research Minister Juergen Ruetters, Construction Minister Klaus Toepfer, and former interior minister Rudolf Seiters. Reuters - Bonn

### FO 'wrong' over Nazi gold

The Foreign Office says it was wrong in claiming that a Swiss official had admitted the country was holding \$500m in Nazi gold at the end of the Second World War. It said the figure ought to have been 500 million Swiss francs. AP - London

### US Navy gives new jets trial run

The US Navy landed its new EA-18G Super Hornet attack fighter on the deck of a carrier for the first time on Saturday in trials off the coast of North Carolina. The Navy plans to spend \$81bn (£50bn) on 1,000 of the new jets, which will replace the recently retired A-6 Intruder, the F-14 Tomcat and the older FA-18 Hornet.

The Russian air force is also in the process of completing tests on its new jet fighter, the Sukhoi Su-32. Iar-Tass news agency said on Sunday. Defence analysts speculate that it will replace Sukhoi's own Su-27 "Flanker", a mainstay of Russia's frontline forces since the early 1980s. AP/Reuters - Washington

### Russia hopes to host games

The president of the International Olympic Committee was full of praise for his Russian hosts and St Petersburg, the city that seeks to host the 2004 Olympics. Juan Antonio Samaranch said Prime Minister Viktor Chernomyrdin "strongly recommended me to think about the candidacy of St. Petersburg." Rome and Stockholm are considered among the front-runners to host the games. Other bidders include Athens, Buenos Aires, Cape Town, Istanbul and Lille. AP - Moscow

### Stolen genitals trigger riots

Mobs in Ghana's capital Accra have beaten to death seven men accused of snatching penises by witchcraft, police said. Victims say alleged sorcerers touched them to make their genitals shrink or disappear in order to extort cash in the promise of a cure. Reuters - Accra

### Presidential candidate dies

Former Massachusetts senator and Democratic presidential candidate Paul Tsongas died of pneumonia on Saturday. He was 55. Mr Tsongas, a Massachusetts senator who retired from Congress in 1985, ran for president in 1992, losing the Democratic presidential nomination to Bill Clinton who went on to defeat George Bush. Reuters - Boston

### Priest's crack offence

An Episcopal priest was arrested as he smoked a crack pipe while typing his sermon, and was charged with dealing drugs from his church, police said. Only three weeks earlier, the Rev Chester LaRue had been hailed as a hero for fighting off two bandits. "Holy goodness," said a parishioner, Bill Graves. "I didn't even think he smoked cigarettes." AP - New York

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مكتبة الامم المتحدة

On the surface, it is difficult to see how freeing the prosecution service from ministerial control would help the President or his allies — rather the opposite. It would make it harder for the government to place obstacles in the path of a campaigning judge.

But the President would edit him with greater subtlety than that. They say the reform committee is a shot across the bows of the investigating judges. If the prosecution service were to be freed from political control, the next logical step could be to declare independent, examining judges superfluous and abolish them,

two lies at the heart of the system which Mr Chirac wants to rebuild.

In essence, a criminal investigation in France starts with the police and *parquet* and goes through a *juge d'instruction* before reaching other *juges* in the court itself. The system gives great freedom to the investigating magistrates but almost all the resources to the police and *parquet*, which may co-operate with the investigating *juge* or may not. It is alleged - by, amongst others, the *juges d'instruction* themselves - that

## A high-contrast, black and white photograph showing a group of people, including several men in military uniforms and helmets, gathered around a person lying on the ground. The scene appears to be outdoors, possibly at a military installation or a conflict zone. The image is grainy and has a stark, high-contrast appearance.

# WHY THE BA/AA MONOPOLY MUST BE STOPPED.

BY SIR FREDDIE LAKER.



Sir Freddie Laker, shortly before the collapse of his airline in 1982. Laker was a fierce critic of the fares soared.

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Dear Prime Minister,

When, in 1982, my Skytrain was forced out of business, the British and American flying public lost out.

Transatlantic fares rose, because BA and the other members of the transatlantic cartel had little or no competition. The public had no choice but to pay the increased fares.

I know that my airline was sabotaged by aggressive and unfair tactics by BA and others, to which the authorities turned a blind eye.

After the event, the then Conservative transport minister Ian Sproat even said "I've got Freddie Laker's blood on my hands!"

Now BA and American Airlines are wanting to form a monopoly on transatlantic routes, which will allow them again to overwhelm other airlines, put their prices up, and force competition out of the market place.

Clearly, this can only be in the interest of BA and American. Leopards never change their spots!

For the following reasons, I believe the BA/American deal should be stopped.

Currently, the Office of Fair Trading are looking at draft undertakings which will limit the power of the merger.

The undertakings are mild, ineffective, and will still result in BA and American having a massive monopoly on transatlantic routes.

Monopolies in any other industry are illegal and are not in the public interest.

With such an overwhelming monopoly, the public and certainly other airlines will lose out again. There is no doubt that, like all monopolies, BA and American will use jugular marketing and other 'cartel' style price cutting, including 'dirty tricks' of the kind that drove Skytrain out of business. Then, as before, fares will skyrocket.

If, as BA and American claim, the merger will produce lower fares and create more competition, why are they seeking anti trust immunity from the US government?

Prime Minister, the answer is simple. They intend to 'fix' fares.

The Office Of Fair Trading's report on the merger currently recommends that BA and American must relinquish seven pairs of take off and landing slots per day on a permanent

basis for the seven carriers wishing to fly from Heathrow to the US.

That's one slot each. It's hardly going to lessen the power of the monopoly. BA and American will still control between 70% and 80% of the peak take off and landing slots.

Furthermore, in practice, BA and American are not obliged to give up actual transatlantic slots by the OFT.

Instead they could, for instance, give up European, or even domestic services, such as Plymouth to London!

This wouldn't diminish the power of the monopoly at all on transatlantic routes, though it might mean some UK cities losing their Heathrow flights.

What's more, BA are demanding that they be given the right to sell the slots, which in my and many other people's opinions is extraordinary. The slots belong to the people. We paid for them as taxpayers. Why should BA benefit whilst the real owners, the people, pay a premium for their own airport slots?

Meanwhile all this does is make the monopoly even more powerful by giving it huge amounts of extra revenue.

In conclusion, I believe both politicians and the public are currently being duped into thinking this monopoly will be less powerful than it actually will be.

This cosy cartel is an affront to fair play and equality. And, I believe, it is contrary to anti trust law.

BA and American Airlines must be made to compete on a level playing field with airlines such as Virgin Atlantic, United, and, indeed, the new Laker Airways Incorporated.

As the Consumer's Association said recently "We continue to hold the view that this alliance must be referred to the Monopolies and Mergers Commission, and must ultimately be blocked."

Please, Prime Minister, remember the past. Make sure this 'merger' is referred to the Monopolies and Mergers Commission.

Because, should it be allowed to go ahead, the British flying public will have to live with its dire consequences for many years to come.

Freddie Laker

Sir Freddie Laker.

## international

# Nation thirsts as politics muddies the water and drains the ancient rivers

Our award-winning Middle East Correspondent begins a series on life in Syria



Robert Fisk  
Damascus

On Abdul Aziz al-Musri's desk, there is a Koranic quotation in magnificent Arabic script: "And tell them that the water is to be divided between them..."

The head of the international water bureau in the Syrian ministry of irrigation keeps a host of other theological instructions on file, along with historical water agreements stretching back to 2360 BC, via the Iraqi kingdom of Hammurabi (1792-1750 BC) and four centuries of Ottoman legislation. On Mr Musri's wall, a large map appears to show the fruits of this collected wisdom: most of Syria is coloured a dark, verdant green. But another set of files on his desk shows just how misleading maps can be.

For in the far north of his country – and it is a problem upon which Mr Musri spends almost every waking hour – the colour green is fading away. Four entire rivers, according to the Syrian ministry, have either dried up because the Turks have diverted the water courses north of the border, or been contaminated by massive pollution from Turkey. Mr Musri slides a pen down the mourn-



ful list on his desk. "The Jaljal river passes through our city of Hassake," he says. "It has dried up. The el-Balikh river virtually dried up five years ago when the Turks began using the underground water in the river's catchment area in Turkey. In summer now, the Sajar river runs out of water."

Mr Musri knows his job. He speaks fluent Turkish and two years ago completed a five-year assignment as first secretary at the Syrian embassy in Ankara. He has visited every Turkish dam on the other side of the frontier and participated in the major water resource conferences with Turkey. His

pen comes to rest on another river, the Qweik, which once ran south into the great city of Aleppo. "It is no more," he says.

Not quite. When I visited the area, I found something worse. The Qweik is now a fast-flowing open sewer, its stench drifting for miles across the barren fields. In Aleppo itself, the Syrians have been forced to merge the ancient watercourse, with its underground Roman water tanks and bridges, into the city's sewerage system.

Just 13 months ago, the Turkish side started releasing polluted water in some of our joint rivers," Mr Musri goes on. "Sewage water and drainage

from the lands that carry industrial pollutants came down the al-Balikh valley and we are still receiving this dirty water." And from a battered grey filing cabinet in the corner of the room comes another file, crammed with statistics of biological oxygen dissolve (BOD) measurements – a system of checking the purity of water. "In the normal course of events, there should be only 2mg BOD per litre in a river – up to 40 if it is irrigation water. But we've done 300 analyses in the al-Balikh valley and they show that BOD reached 500mg per litre. This has polluted the land – it's harmed the health of our farmers and their families.

and contaminated drinking water in the region."

Mr Musri, however, is a technical man. Ask him why the Turks are polluting the rivers and he replies: "It's a political question. From the technical side, we have all the information necessary to reach a joint agreement. The problem today is not so much the amount of water – though that has been a problem on the Euphrates when the Turks were filling their dams – but the quality of the water." All of which depends, it seems, on the quality of political relations between Syria and Turkey, a matter upon which Mr Musri did not wish to expand.

It is no secret, however, that Turkey's new military agreement with Israel – which allows Israeli pilots to fly in Turkish airspace along Syria's northern border – and Turkey's anger at Syrian support for Kurdish Workers' Party (PKK) separatists who are waging a brutal campaign in south-east Turkey, have brought relations between the Syrians and the Turks to their lowest point for many years. The PKK leader, Abdullah Ocalan, appears from time to time in the Syrian-controlled Lebanese Bekaa valley to issue ceasefire calls or bloodcurdling threats against his Turkish antagonists. A series of small bombs that ex-

ploded in Syrian towns last year were probably the work of Turkish government agents, and reports of sniping by Turkish soldiers across the northern border have been confirmed by a Syrian security source. At one point last year, Syrian armour was moved north after reports of Turkish troop movements. Publicly, the Syrians do not speak about the lost lands around Alexandretta – ceded by the French mandate authority in 1939 in the vain hope of persuading Allied fight against Hitler. But they have not forgotten. And they are ever mindful of that most ancient of rivers that

In Aleppo, the ancient course of the Qweik river has been merged with the city's sewerage system. The Syrians say that the Turks have been polluting joint rivers with sewage and industrial drainage. The problem is described as 'political', not technical

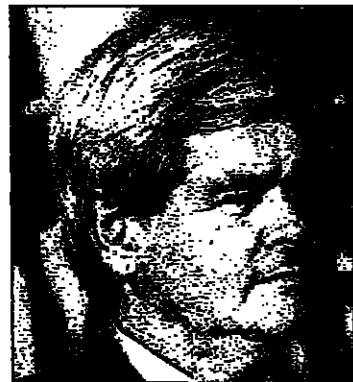


flows from Turkey, the epic Euphrates whose waters slackened when Turkey built its dams to the north and are now, according to the Syrians, in danger of falling again as the Turks establish two new dams – at Bircak and Karkamish – for land irrigation. Bircak alone, Mr Musri says, is intended to irrigate 81,670 hectares of land. "This means it will reduce our share of water in the Euphrates. Syria and Iraq are ready to sign a final agreement with Turkey to share the water of the Euphrates in an equitable way according to international law. But the Turkish side, till now, has not reached final agreement because it would like to have time to finish its planned projects."

Mr Musri takes the view that existing legislation between Turkey, Syria and Iraq – especially a 1987 protocol signed by former Turkish prime minister Turgut Ozal – form the basis of a final agreement. The irony, of course, is that the sharing of waters between Syria and Iraq has long ago been agreed – even though Saddam Hussein remains a visceral enemy of President Hafez al-Assad of Syria.

## Parties fail to call truce for Clinton inauguration

Gingrich reprimand and rancour over budget sour atmosphere, writes Rupert Cornwell



Newt Gingrich: Faces \$300,000 fine for his transgressions

Washington — As ceremonial Washington prepared for today's 53rd Presidential inauguration, Republicans closed ranks around their tarnished Speaker, while the Democratic occupant of the White House was applying the final touches to a speech he hopes will help cement his place in history.

In a newspaper interview yesterday, President Bill Clinton said he was aiming at an inaugural address that would "help flush the poison from the atmosphere" of January 1997 in a capital riven by rancorous partisan

feuding, at a rare moment in the four-year political cycle here when truce normally, if briefly, prevails.

In his search for uplift and inspiration, Mr Clinton is expected to use this year's coincidence of the Inauguration and the Martin Luther King holiday to plead for racial reconciliation, as a crucial plank of the "Bridge to the 21st century" that was the slogan of his victorious campaign last autumn. Indeed, a symbolic wooden bridge is one of the more curious inaugural attractions on the mall, below the Capitol steps where

Chief Justice William Rehnquist will administer Mr Clinton the Oath of Office at noon today.

Last night the First Couple attended a traditional inauguration eve gala; but the grueling part comes tonight when they will attend each of the 14 inaugural balls.

But celebration and comity will not last long at the other end of Pennsylvania Avenue. Yesterday Congress was still coming to terms with the House Ethics Committee's severe castigation of Newt Gingrich, the Speaker, for transgressions for which

he will be fined \$300,000 (£181,000) and receive a formal reprimand. In the short term, Mr Gingrich seems set to survive. But the episode has seriously diminished his authority.

However Mr Clinton too is unlikely to escape fall-out from the Gingrich affair. As his outgoing Chief of Staff, Leon Panetta, acknowledged yesterday, party warfare on Capitol Hill can only dim the prospects for agreements on balancing the budget and trimming entitlement programmes like Medicare, both major goals of the second Clinton term.

Nor does the looming row over a constitutional amendment to balance the budget amendment bode well. In his interview with the *Washington Post*, Mr Clinton vowed to fight the measure. But Trent Lott, the Republican Senate Majority leader, insisted it would be the first priority of the new Congress.

However, the public seem ready to embark on a second honeymoon with Bill Clinton. Polls yesterday put his approval rating at around 60 per cent, higher than at any time since the start of his Presidency.



Bill Clinton: Racial reconciliation crucial in bridge to 21st century

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## South Korean workers change strike tactics

Richard Lloyd Parry  
Seoul

A group of 10 international trade unionists, led by Bill Jordan, the British general secretary of the International Confederation of Free Trade Unions (ICFTU), is scheduled to gather in Seoul this morning to express solidarity with South Korea's workers.

An earlier delegation left last week after being threatened with deportation, and the new arrivals face the same consequences if they address rallies and hold press conferences.

They arrive as the dispute is winding down, at least for now. After nearly a month of national strikes, hundreds of thousands of South Koreans will work normally today in an unexpected change of tactics.

Officials of the illegal Korean Confederation of Trade Unions (KCTU), which has co-ordinated the stoppages and demonstrations against a revision of labour legislation, have dropped their demand for the scrapping of the new laws that make it easier for companies to sack employees and postpone the right freely to form unions. But they insisted that they were not stepping down. The KCTU's leader, Kwon Young Gil, said that it would resume an "all-out struggle" if the government failed to revise the legislation by 18 February. Until then, strikes will be

limited to Wednesdays, with demonstrations every Saturday.

The three-week strike is estimated to have cost South Korea more than \$3bn (£1.8bn) in lost production and exports, but it had been losing momentum since last Wednesday when a general strike call by the KCTU and the bigger, official Korean Federation of Trade Unions (FKTU), achieved a patchy turn out. Union officials speak of the need to "conserve energy", and to capitalise on the widespread public disapproval of the new laws and the way in which they were secretly pushed through by the government of President Kim Young Sam.

According to Korean journalists, opinion polls showing plummeting levels of support for Mr Kim have been suppressed. But even members of Mr Kim's own New Korea Party (NKP) acknowledge that his popularity has suffered and the political consequences are likely to be damaging.

Fierce protests continued in Seoul over the weekend, and several marches and rallies were broken up by police firing tear gas grenades. An unknown number of students were injured when police retaliated against attacks with petrol bombs and iron bars by charging and beating up protesters. On Saturday, a march of as many as 10,000 people was led through the city by a group of Christian clergymen.

## Hutus murder three Spanish aid workers

Christian Jennings  
Reuters

Ruhengeri — Rwandan Hutu militiamen shot dead three Spanish aid workers and three soldiers and seriously wounded an American in an overnight attack in north-western Rwanda, survivors said.

The bodies of the three Spaniards – two men and a woman – lay in pools of blood in the aid workers' house in Ruhengeri yesterday.

A United Nations human rights operations director, Javier Zúñiga, said: "These people were executed. Clearly these attacks were aimed at aid workers and expatriates generally."

The American, named by aid workers as Nitin Madhav, was working with the Spaniards. He was treated in the hospital at Ruhengeri, where his wounded leg was amputated, and later was flown to Kigali and evacuated for further treatment.

An American diplomat said the attackers stormed into the Spaniards' passports. They were then disturbed by the noise of gunfire outside the house, and reacted by shooting the three from close range.

through the head, were attached to the Spanish charity Medicos del Mundo. In Paris the parent group Medicos du Monde announced that it was suspending all activities in Rwanda pending further information about the killings.

In Madrid, Medicos del Mundo named the dead as Manuel Madrazo, 42, a doctor from Seville, Maria Flors Siera, 33, a nurse from Lerida, and a photographer, Luis Valtuena, 30, from Madrid who was working as an administrator.

Most expatriate staff in the Ruhengeri area left for the capital Kigali where the UN relief groups and the government will meet today to decide whether to formally suspend humanitarian work on security grounds.

A Rwandan military officer said: "We know these people are now operating from inside Rwanda. They think if they can drive out the expatriates now working here they can mount such attacks more easily."

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صكتان الامل

# Why Paddy Ashdown must stay in the game

What is Paddy Ashdown for?

We suspect that there are many in his own party, probably including himself, who have asked this question recently. It is an important question in an election year, and we ask it in a broadly sympathetic light.

All three of our main parties are now incoherent ideologically. The Liberal Democrats began as an alliance of Liberalism and social democracy and have been shaped opportunistically in local government and at Westminster against the background of what might be called The Strange Death of Conservative England. These long-drawn-out throes have seen the contradictions of Thatcherism played out in the unforgetting debate about our European destiny. Meanwhile, new Labour, the main beneficiary of the Tory decline, appears much of the time to have sublimated traditional principles into a ruthless electoralism. It lays claim not only to the social democratic tradition, but to Liberalism and One Nation Toryism too.

This may seem a rather high falutin' way of setting the scene for Mr Ashdown's engagement with David Frost's sofa yesterday. But it is Mr Ashdown's claim that he is above grubbing for votes, that he will stake out the ground of high principle and dare people to rally to it. In endlessly reiterating his purity, decency, honesty and transparency he can sound irritatingly pious, but we should not let the holier-than-

thouism get in the way of the real issue.

So what are these high principles? The one that matters is liberalism, a big word with many meanings and a whole baggage-train of history behind it. But there are three meanings which we think matter, and which we think start to define Mr Ashdown's useful role.

First, there is liberalism as a defence of individual freedom. For much of the decade of this newspaper's existence, we have taken the value of personal liberty for granted. It seemed that if we were not at the end of history we were at least at the end of that particular argument, so far as developed Western economies are concerned. But the drift to authoritarianism needs to be watched with hawk-like attention, as much on the left as on the right, when there is so much social consensus about it: it is reassuring, indeed essential, that we should have a serious political party for which individual liberty is a core value.

Then there is liberalism's concern with political freedoms and the making of our system of government more democratic. Again, our concerns and those of the Liberal Democrats coincide. Mr Ashdown's party is the most convincingly committed to the cause of bringing what he calls our "rotten, stinking political system" into line with the modern age. Again, we need the Liberal Democrats to keep Labour honest. The talks between the two parties



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ties mean dramatic changes to our constitution are more likely to happen, and are more likely to be soundly based. The end of law-making hereditary peers, the setting up of a Scottish parliament and human rights made enforceable in British courts would transform our political life.

But the question of how we elect our MPs still demands more clarity from Labour. The present system is crude and unfair, as Mr Blair himself concedes. This will become more obvious if the rest of our museum-piece constitution starts to be modernised. Mr Ashdown yesterday teased Mr Blair

over his promise to hold a referendum on electoral reform while remaining personally opposed to proportional representation. "I think it is a pretty curious position for somebody to introduce a referendum and invite people to vote against it, but Tony Blair must articulate his own position," he said. We hope that the pressure from Mr Ashdown will help the Labour leader to do so.

Then there is liberalism as a justification for activist government. Last week Mr Ashdown cited the Liberal government of 1906-14 which "recognised that individual liberty depended,

not just on the hard-won political freedoms of the 19th century, but on positive protections against ill-health, unemployment and the deprivations of old age". The New Liberals at the other end of this century realised that these things had to be paid for. So Mr Ashdown was right yesterday to mock Gordon Brown for his "depressing timidity" in failing to ask people earning more than £100,000 a year to pay more in tax. He is right also to chide the Labour leader for declaring that education would be the "passion" of his government without saying where the money will come from.

Mr Ashdown's demand for honesty in taxation may be a slogan, he may be shifty about his own plans for a penny on income tax "if necessary", and it may be that he is unlikely to have any direct responsibility for the nation's finances. But our political debate would be poorer and less honest without this pressure from a party with its own democratic mandate.

It is intriguing that neither Mr Blair nor Mr Ashdown's spin doctors deny that the two have discussed jobs in a possible Labour government - although we suspect that Mr Ashdown and Menzies Campbell have only been offered them on condition that they join the Labour Party. It would be a mistake for Mr Ashdown to accept this kind of offer, because he may yet wield more power as leader of an indepen-

dent party - even with a majority Labour government, and even before electoral reform. In a time of ideological elision, when right steals from left and left from right, and all parties chase polls as much as principle, the ancient values of liberalism continue to goad the dominant parties out of a complacency into which they might all too easily slide. Mr Ashdown's present game, of prodding Mr Blair and provoking Mr Major, is not only best for his party - it is also best for our political system.

## Reading the English psyche

Today's pop chart of literary classics gives us an insight into the cultural values of Middle Earth - oops, we mean Middle England. The top three chosen by 25,000 Waterstones customers are all English: *Lord of the Rings*, followed in second and third place by George Orwell's *1984* and *Animal Farm*. Tolkien, born in South Africa, was an English conservative, while Orwell was the most English of socialists. Mind you, if this is English culture, it makes you wonder. The English would seem to see themselves as peace-loving, egalitarian Hobbits, defending themselves against orcs, goblins, Big Brother and pigs.

## LETTERS TO THE EDITOR

### Instability in Turkey fuels risk of war

Sir: George Kassimeris's compelling article ("Greeks, stop bearing grudges", 15 January) is very accurate in its description of the "Greek obsession with external enemies". There is, however, an additional reason to explain the recent arms race between Turkey and Greece.

In the latest parliamentary elections in Turkey, the Islamic party Refah won the largest number of seats. After a short-lived coalition between the country's two rival centre-right parties, there is now a Refah-led coalition government in Turkey.

The election results mark a watershed for Turkey, a westward-leaning republic founded by a secular elite more than 70 years ago. It is obvious that the country has entered a period of political instability in which many in the army are bitter and confused. A military conflict with Greece might be seized upon as an easy solution to the deep-rooted domestic problems and political instability.

BULENT GOKAY  
Department of International Relations  
University of Keele

Sir: The remarks of the Turkish Ambassador, Ozdem Sanberk, to Christopher Bellamy (report, 15 January) lend some hope to the Cyprus question.

The establishment in Turkey is sending a clear message that an equitable solution will be sought and that Turkey would like to develop a lasting personal understanding with Greece outside treaty arrangements.

These comments contrast somewhat with those of Tansu Ciller, the Foreign Minister, and utterances made by others involving ancient hatreds. The latter may well be attempts to deflect domestic attention away from government corruption scandals.

I believe the diplomatic olive branches held out by those who are likely to outlive their governments should be seized by the European Union and others, and Greece and Cyprus discouraged from embarking on untimely and unnecessary military shopping sprees.

Failure to do this may well result in a Bosnia-type Nato arrangement being imposed on the island, unwelcome for both communities and weakening the hands of those in Turkey who seek a genuine understanding with Europe. A wider Balkan conflict must be avoided at all costs.

YASMIN BRETT  
Enfield, Middlesex

Sir: During my summer vacation in Bodrum, Turkey, I was very pleased to see Greeks from neighbouring islands, only five to 10 miles away, visiting Turkey in the morning, doing their shopping and returning in the evening by ferry boat. Later I found out that Greeks do not require a visa to visit Turkey, but Turks are not permitted to visit the Greek islands without a visa, which could only be obtained by applying to their consulate in Izmir, 250km away, and it may take two weeks to receive.

I suggest the Greek people should tell their politicians they have nothing to fear from the Turks, and let Turks visit their country freely, which I am sure will bring them closer and



### Few homeless see psychiatrists

Sir: I am a psychiatrist who works exclusively with homeless people in south-east London. I was surprised to read Adam Blue's letter (16 January), in which he suggested that homeless people routinely require their residents, as a condition of stay, to see a psychiatrist.

Where do they find all these psychiatrists?

Our team has the equivalent of one-and-a-quarter full-time psychiatrists. We accept referrals from 15 different direct-access hostels across south-east London with a total of around 500 beds.

Out of the more than 5,000 people who use these hostels every year, around 350 people are referred to the team. Many of those referred never see a psychiatrist, but are helped by another team member, usually a psychiatric nurse or social worker.

We are pushed to see even these numbers. So even if they wanted to, which I don't believe they do, these hostels could not get a psychiatrist to see every resident. Workers with similar teams in other parts of London tell me they have no greater access to psychiatrists' time than do we.

Hostel staff do refer residents to us, but this is usually for the very good reason that they are concerned for the welfare of the resident.

Of course, some will resent this interference. However, the overwhelming majority of those referred to services such as ours continue to see psychiatric staff entirely voluntarily.

This notion that psychiatric assessment is a condition of staying at such hostels may well discourage people from using them, but it is without foundation.

DR PHILIP TIMMS  
Senior Lecturer in Community Psychiatry  
Guy's & St Thomas's UMDS  
London SE1

### Devilishly good place for stone

Sir: On Suzanne Stockman's suggestion that the Stone of Destiny had its origins in Northern Ireland (letter, 13 January), the Irish Epic *Second Battle of Moytura*, probably one of the earliest sources in which it finds mention, informs us that the stone of *Fal* was resident in Tara, which is in Meath, not in the North.

It had been brought there from the legendary city of *Falias*, one of four cities in which, apparently, the "Diabolic Arts" were taught. Bearing this in mind, might I suggest that it be returned to Westminster, where it doubtless felt at home all those years?

K J WALDROM  
West Calder, Lothian

### Pigeons' revenge

Sir: You say that over a ton of pigeon droppings has to be removed from Nelson's column each year ("Ban on feeding pigeons puts tourists in a flap", 18 January).

Perhaps the pigeons have been reading Susan Sontag's account of the hero's brutal suppression of the revolution in Naples in 1799 in her recent historical novel *The Volcano Lover*, and in consequence are doing precisely what I would do, were I a pigeon.

ANDREW GORDON  
Banbury, Oxfordshire

### Need to reassess Iraq sanctions

Sir: The sixth anniversary of the Gulf War provides an opportunity to reflect upon the crisis in Iraq. The last six years have seen massive loss of life and hardship within Iraq, caused both by internal repression and by externally imposed sanctions.

Despite the catastrophic effects of sanctions on the population of Iraq, little has been achieved by this policy. The sanctions regime maintained by the United States and the United Kingdom under the auspices of the UN has neither stopped human rights abuses, nor enabled the Iraqi people to replace the Ba'athist state.

Rather, this has consolidated Saddam's position, by suppressing the will of those who might have formed the basis of a revolution and by provoking anger towards the West.

Thousands of infants have died since 1991 from malnutrition and treatable diseases as a direct result of sanctions; while thousands of Shia and Kurds have languished in Iranian refugee camps in what is proving to be long-term exile.

It is now time to reassess the policy of sanctions. In the absence of additional measures which enforce respect for human rights in Iraq and enable the overthrow of the current regime, sanctions will remain both ineffective for long-term crisis settlement and morally reprehensible.

Lifting sanctions on everything

but arms, coupled with effective international protection for northern and southern Iraq, should be viewed as the lesser of two evils.

ALI HUSSAIN  
SARAH GALLOWAY  
SIMON FAULKNER  
Campaign Against Repression and For Democratic Rights in Iraq  
Manchester

### Passing the buck on private rail

Sir: Having gone to some effort (two telephone calls to train inquiries) to avoid travelling from Exeter to Norwich at a time when there were engineering works, and hence a coach ride and extra journey time, my daughter duly ended up on a coach to Ipswich and arrived in the middle of Sunday night at Norwich with other misdirected passengers.

So far, in the search for responsibility, Great Western call centre says it's Cate (a computer system), who says it's Railtrack, who says it's Anglia Railways, who says it's Great Western call centre, who says ... In the process, I discovered that the engineering works had been going on for some weeks and that the wrong information was still being given out to hapless travellers for the following Sunday.

Various comments from friendly staff include: "Passing the buck is the name of the game"; "It's a shambles" and "I don't see it getting any better." If this is privatisation, London Tube travellers should take heed.

F BARNES  
Exeter

convince them they should not be afraid of the Turks.  
H DULAGIL  
London W9

### Better ways to greet millennium

Sir: I think it is appalling that £580m-plus should even be considered for a temporary Millennium Exhibition seen by a minority of the population (report, 17 January).

This money could be spent providing cultural and leisure facilities in small towns and villages, or used as incentives for small businesses in areas of unemployment. These could be permanent, useful and appreciated memorials to the millennium.

London could be the centre of the celebration with a less expensive project, which has at its heart a permanent reminder of the millennium - much as the Festival Hall is of 1951 - be it a cultural or sports arena or even a hostel for London's homeless.

ELIZABETH TENCH  
Amersham, Buckinghamshire

Sir: Why not move the Brent Spar oil platform to Greenwich as part of the Millennium Exhibition? As a reminder of where our wealth came from in the latter half of the 20th century, and as an example of our problems of pollution and decommissioning, it would stand as a symbol of Sixties optimism and fin-de-siècle pessimism, as well as being an example of our engineering skills.

Not normally seen below the water-line, these things are akin to the lighthouse of Alexandria in

their impressiveness. The best part of the plan is that Shell would probably be delighted to pay for it all for the publicity, thus saving the Government heaps.  
CHRIS GEERING  
Burnham Over Staithe, Norfolk

Sir: A preferable project on which to spend hundreds of millions of pounds, with lasting benefit to the country, would be the replacement, repair and internal refurbishment of school buildings neglected over many years.  
LYNETTE DUNN  
Swanage, Dorset

Sir: Every city, town, and village throughout the land should erect a Millennium Clock. The unveiling of the clock would be a focal point for celebrations at midnight ... and the event is all about time.  
J W DIXON  
London SW15

### Welsh wages compare well

Sir: Your article on Korean investment in Wales ("Come to low-wage Wales", 13 January) implied that Korean investors come to Wales solely because of low wage costs, and suggested that the Welsh Development Agency was more concerned with attracting investors than with creating well-paid jobs for Welsh workers. Neither claim is valid.

The 1996 New Earnings Survey shows that average male and

female manual manufacturing wages in Wales are slightly higher than the Great Britain average. Males working in manufacturing in Wales earn £323.80 a week, while in GB they earn £323.60. For females, the figures are £205.70 and £205. Although, when one looks at the economy as a whole, wages in Wales are 10.4 per cent lower than elsewhere in Great Britain, that is because less well-paid sectors are concentrated here. Wales has a high concentration of people working in agriculture and tourism, but they do not earn significantly less than people in equivalent jobs across the border.

The Welsh Development Agency is responsible for securing the long-term economic regeneration of Wales. It is naive to suggest this can be done simply by attracting investors who are "stalking the worldwide labour market". Wales wants to attract companies who intend to stay in Wales, re-invest here and create jobs for the long term. This is why Wales is now home to companies such as Ford, Sony and Panasonic.

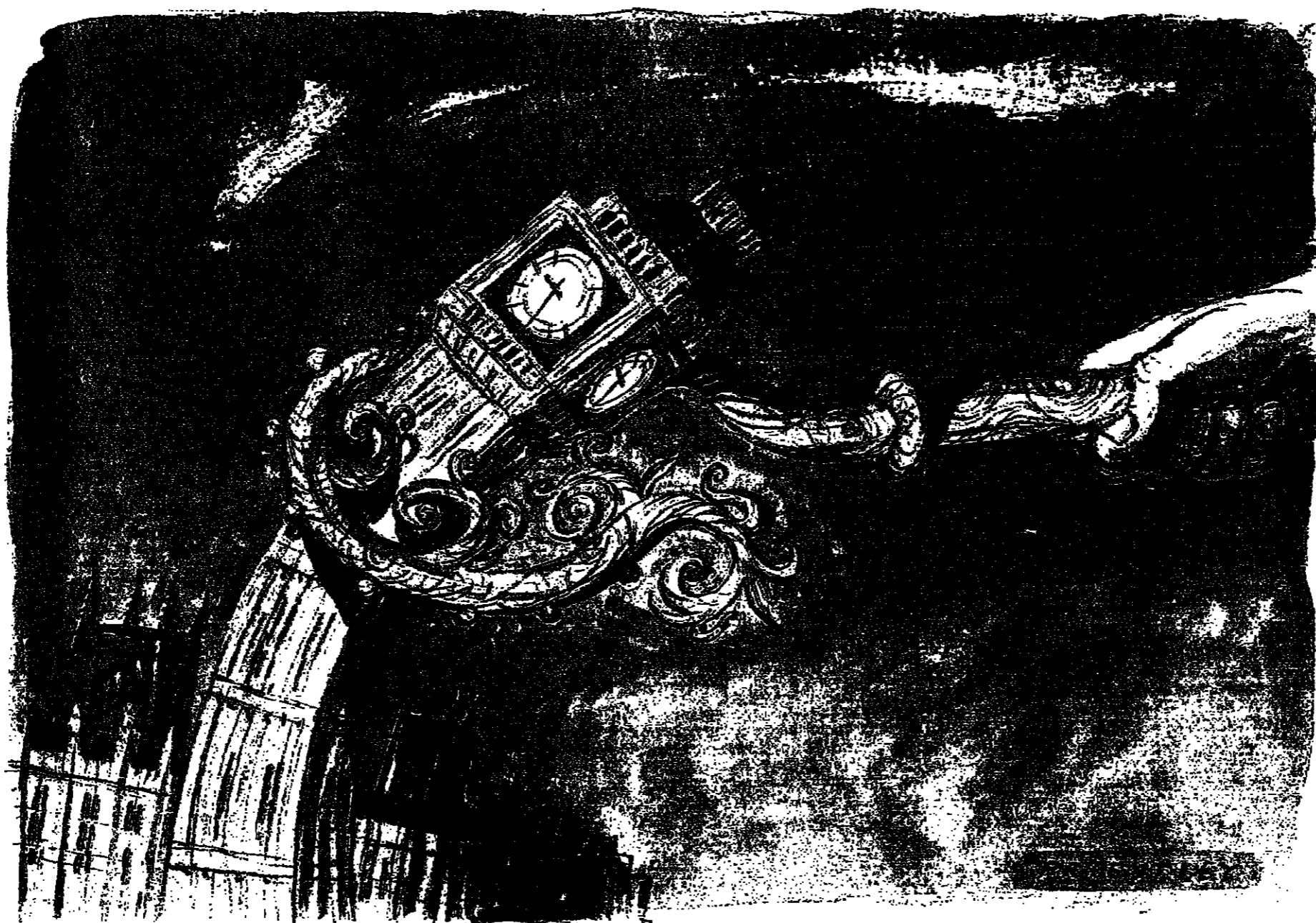
In the case of Korean-based LG, one of the factors that encouraged the company to come to Wales was a survey of leading inward investors which showed that 92 per cent felt that the Welsh workforce exceeded their requirements for commitment and productivity.  
BRIAN MORGAN  
Chief Economist  
Welsh Development Agency  
Cardiff

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## essay

Religious leaders – Catholic, Anglican and Muslim – have suddenly become potent players on the political scene. Paul Vallely explains why bishops and imams are making waves



# The awkward squad at prayer

So what has happened to change things? It couldn't have happened under Margaret Thatcher, but now, somehow, the churches have become a potent force on the political scene. As the election approaches, their voices seem likely to grow louder. And it is not just the Christian churches. At the weekend the Muslims entered the fray, too.

Recent times have seen an unprecedented How-to-Vote statement from the formerly quiescent Catholic bishops, which was widely interpreted as being pro-Labour. Five of the Church of England's most senior bishops then condemned the selfishness and social disintegration that has been nurtured under 17 years of Conservative rule. The two British Catholic cardinals have weighed in on the issue of abortion, with Basil Hume in England saying that no Catholic would vote for a pro-abortion candidate and Thomas Winning in Scotland accusing the Labour leader, Tony Blair, of

personal hypocrisy and sham on the subject.

Last week, the Anglican bishops met in private in Liverpool to discuss the election. At the end, they issued a new Labour-tinged statement saying that, in their votes, "Christians should be advocates for those excluded from access to well-being or influence in society."

The bishops singled out the homeless, the unemployed, the old, the mentally ill and the Third World poor.

On Friday, Dr Zak Badawi, chairman of the Council of Imams and Mosques of Great Britain, revealed that Muslim leaders are engaged in producing an Islamic equivalent of the Catholic bishops' document which will also call for curbs on the market. And the forthcoming Council of Churches of Britain and Ireland report on unemployment and the future of work, due out before the election, is said to contain some uncomfortable words for the Government.

It is all very different from the Eighties, when an unde-

clared state of war existed between the Government and the body that had formerly been declared to be "the Tory party at prayer". The stand-off then between Prime Minister and Archbishop of Canterbury was but another stage in Mrs Thatcher's battle against the post-war establishment consensus. But after the Kinnock-Labour Party crumbled in the face of her fervent ideology, it fell to the Church of England, under the unlikely leadership of the milk-mannered Robert Runcie, to stand up for the old decency in the path of the neo-liberal economic juggernaut of Thatcherism. The Iron Lady was contemptuous and dismissive. The Church became cowed.

The reasons for the change are complex. At the forefront is Mr Blair's vaunted Christianity and John Major's scramble in the autumn to join him on the moral high ground. Uneasy statements about how the Tory party was "founded on principles flowing from the Christian faith" and how Mr Major

prayed "in all circumstances" were happily subsumed in the apple-pie generalities in which all parties indulged after Frances Lawrence, the widow of the murdered headmaster, poignantly announced her well-meaning campaign to memorialise Britain.

But something had changed before that. Churchmen and workers in church agencies for social action reported a sea-change in the early days of the Major administration. "His ministers seemed more prepared to listen from the outset," said one church worker recently. It was partly a question of temperament: the evangelistic certainty of the acolytes of Mrs Thatcher had given way to those in the party who were less opposed in principle to the notion of consensus. It was partly the arithmetic of a diminished parliamentary majority. "At any rate they listened, and as the election approaches they are listening with emphatic concern," said another leading lobbyist from a church social agency.

Yet there is something more fundamental. Thatcherism has borne its fruit: her Eighties deregulation of the global financial markets is wreaking unemployment and insecurity among the very groups who voted for Mrs Thatcher. With globalisation, the welfare capitalism of the Fifties, Sixties and Seventies has given way to what Pope John Paul II has condemned as "savage capitalism". The change has galloped since the collapse of Communism.

Nobody in the West thought Communism was an alluring

alternative, said Professor David Marquand at a symposium of economists, political theorists and theologians at the Von Hügel Institute in Cambridge last Friday, which was held to respond to the Catholic bishops' pre-election document, *The Common Good*. But, he said, the threat that a Communist alternative might appeal to capitalism's marginalised and growing "underclass" was potent enough to spur policy-makers to inhibit the worst excesses of capitalism. Now, said Marquand, that brake is off.

The result is massive movements of capital, currency and jobs from one side of the globe to the other (to wherever the greatest profit can be made). And economic changes whose impact was once cushioned by welfare and regional regeneration are now felt nakedly, as the people of Halewood would unhappily point out. It is a world, said Marquand, which Marx would have recognised more easily than that of two decades ago.

More significantly, it has impacted not just on the "under class", whose inactivity the former chancellor Norman Lamont once so memorably said was a "price worth paying" for low inflation. The ill-effects have spread to the middle class who, in the words of another Von Hügel speaker – the United Reformed Church elder Gabrielle Cox, of the Low Pay Unit – feel the water lapping at their feet as the contract culture,

redundancy, degradation of public services, rising crime and general insecurity hit there, too.

Other changes that have created the space in which the voice of the religious is once again heard include a shift in the intellectual climate. In the UK, the influential former New Right intellectual John Gray, alienated by the excesses of what he once advocated, has switched to a more communitarian position. In the United States, Francis Fukuyama, one-time high priest of neo-liberalism, who proclaimed that the new post-Wall world constituted the triumph of capitalism and therefore The End of History, has turned his attention to worrying about the ethics on which a successful market rests.

Last week, even George Soros, who has made a fortune from the international financial markets and whose currency speculation forced Britain out of the European exchange rate mechanism, warned that "the untrammelled intensification of laissez-faire capitalism and the spread of market values into all areas of life is undermining social values of morality".

For the rest of society, it is less abstract. National wealth has not brought national well-being. Unemployed friends, sick relatives receiving poor NHS treatment and beggars on the street – once a badge of pride among right-wing ideologists – are now the focuses of concern for a nation not at ease with itself and displaying a new readiness to listen to talk of morality.

It was on this field that the Catholic bishops entered. Their motives too were complex. There were some who felt irritated by new Tory converts to Catholicism who have painted the church as a pietistic, conservative bastion of separatism from the world. These senior Catholic figures wished to remind the converts of a century of radical Catholic social teaching.

But in the main the stimulus for the document was that the Catholic flock has more working-class antecedents than the established church, has a strong tradition of work in education and welfare, and its bishops were closer to the on-the-ground impact of the fruits of Thatcherism. They knew that trickle-down had not worked, that the culture of greed had got worse, that poverty and social disintegration were proceeding apace.

It did not surprise anyone who had read any of the key dozen papal encyclicals on Catholic social teaching when the English bishops' pre-election document constituted a withering condemnation of the legacy of Thatcherism. Tory spin doctors decided to play this down, insisting that electoral damage would be minimised by saying that the party agreed with 95 per cent of the document. But the fulminations of right-wing Catholic journalists such as Paul Johnson in the *Daily Mail* or William Rees-Mogg in *The Times* made clear the extent to which the bishops had rounded on two decades of Toryism. It was, blustered Rees-

Mogg, "a serious error of episcopal judgement", adding bizarrely, "there is a striking contrast with the work and moral advocacy of Frances Lawrence."

Outraged talk about keeping apart God and Caesar is the usual fodder at such times. The bishops of Oxford, Durham, Coventry, Birmingham and Liverpool met with similar doses of backbench scriptural exegesis when their New Year statements lamented that 17 years of Tory rule had subjugated public morality to idols of economic efficiency, individualism and fatalism. And the Bishop of Norwich was told last week by a senior Tory peer to "steer clear of political issues for the next month, my boy. It's going to be rough time", when all the prelate was concerned with was homelessness and poor housing and its impact upon "people's spiritual and moral well-being". Church leaders, it seems, are "politicians in purple" who "meddle in politics" when they tackle issues which make Tories uncomfortable, but are "spiritual leaders reminding their flocks" when it comes to moralities of which the right approves.

For the new political involvement of clerics is not something that goes entirely in the Opposition's direction. Earlier this month, the Archbishop of York was seen as giving backing to the Government when he said that "there is evidence from across the world that welfare destroys as much as it protects", and counselled Christians against regarding politicians with cynicism. And Mr Blair must clearly be discomfited not simply by the personal vehemence of Cardinal Winning's attack on him over abortion, but also by the apparent willingness of the more measured Cardinal Hume to give succour to a move by anti-abortion activists to turn abortion into a single-issue campaign in key marginal constituencies. (The Catholics appear split on this one: the cardinals' behaviour flies in the face of the bishops' statement in *The Common Good* that Catholics should not vote because of a candidate's stance on a single issue but rather on whether his or her policies were generally in line with Catholic social teaching.)

Either way, one thing is clear. The attempt by the Catholic bishops to reclaim public space for morality has not fallen upon stony ground. In Britain today there is, as the Church of England's bench of bishops said on Friday in their statement after their week in conclave, "a real hunger for a more holy and just world". In it, they gave notice that they "intend to discuss and question the theological and ethical principles at stake in the election and speak on specific issues where we have experience and knowledge". A cross on the ballot paper might come to have more than one meaning when that election eventually comes.

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## It's not who you vote for, it's how you vote

I am going to be voting for the first time at the next election and I wonder if you have any advice for me on how I should vote.

Yes. Very slowly. After all, this is almost certainly the last time you are going to be voting this century, so you might as well get some fun out of it. You're not going to get anything else out of it, after all.

But surely you just go in and vote and come out again, don't you?

Oh no. That would be a complete waste of a vote. First of all, even before you get in the polling station you will be approached by representatives of the three main parties sporting their various colours and wanting to know your number.

My number? Yes. We all have numbers on the electoral roll, and when you bring along your election reminder to the polling station they will want to know what the number is, so that they can cross you off their list of people whom they might try to hustle along to the polling station later in the evening. So I give these people my number?

Certainly not. It is one of the very few chances you will ever get to annoy a member of a political party face to face, so I would take advantage of it and annoy them at the same time by keeping your number to yourself.

Right. Then I go in and vote?

No. You then go in and find yourself facing the polling station officer who will ask you for your number.

Do I refuse to give this again?

Of course. You say that it is your democratic right to withhold your number.

That will stump him! No, I am afraid it won't. He will merely ask for your name and address then, and check it out on the roll.

When he finds it he will tick it off and give you a ballot paper.

That seems straightforward. It doesn't have to be. For instance, you can give someone else's name and address, especially if you happen to know that that person has already voted.

What is the point of that? Well, when the polling station officer says, "I'm afraid you have already voted," you can fly into a



Miles Kington

terrific rage and say that they have allowed an impostor to steal your vote and that the whole election is null and void.

That sounds like fun, but you're going to be found out sooner or later, aren't you?

Yes, I am afraid so, and for that reason it is not worth doing. What you must now do is take your ballot paper, on which are written the names of all the candidates in alphabetical order...

...and take it into the polling booth and then put a cross against the person you least dislike?

Oh no. What you do now is examine your voting form very closely and see to your surprise that it is numbered. Every voting form has a different number.

Is that so very bad?

Oh yes. After all, this is meant to be a secret ballot. But if your voting form is numbered, they can always trace it back to you and find out how you voted. Therefore it is not a secret ballot.

Oh dear. What should I do now?

You go back to the polling station officer and say in a loud voice: "This is meant to be a secret ballot! Give me a ballot paper that is truly secret and authentically untraceable!"

And will he do so?

No. He will say: "Have no fear, sir or madam. This ballot is secret all right. The only reason we number the papers is so that in a rare emergency we can trace a libel on a voting form, for instance, or attaches a small limpet mine to it."

And do I go along with that?

No. You shake the ballot paper at them and say, "I am not sure under these

circumstances whether I want to vote or not. I will take this ballot paper away with me and bring it back later when I have made up my mind."

What is the point of doing that?

Simply this. Polling station officers have no instructions about what to do if a person comes in and gets a ballot paper to which they are entitled and then takes it away without using it. They are not sure if it is government property or yours. They are not sure if you are violating some sacred principle by actually removing a ballot paper from voting premises. They have no idea if you can take your paper away and then come back with it later. They will be very worried indeed.

Nice one! And do I come back later and vote?

No.

Why not?

Because if we all do the same and nobody votes, it will make for very interesting viewing on Election Night Special.

This has been a party political broadcast on behalf of common sense.

## First the docks, now Ford: how Liverpool lost it

Liverpool is back where it started. This is the meaning of Ford's decision last week to declare a third of its Halewood workforce redundant and move Escort production to Spain and Germany.

It was Harold Macmillan's government, nearly 40 years ago, which brought manufacture of the best-selling Escort to Liverpool. In 1959, Ford had been refused permission to expand its factory at Dagenham in Essex and was pushed into building a plant at Halewood, which started producing Anglias in 1963 and then, from 1968, Escorts. At much the same time, Triumph, later part of British Leyland, was dragged into opening manufacturing facilities not far away, at Speke, and General Motors was encouraged to expand its Vauxhall operation at Ellesmere Port, across the Mersey.

The Conservative government of the day believed that the decline of Liverpool from its huge prosperity as a transatlantic port would be arrested by building a motor manufacturing industry. Some 20,000 jobs were directly created in this way and no doubt further service jobs indirectly.

But Speke closed in 1978; the others have since cut back substantially. And when the Japanese started making cars in the United Kingdom, they passed Liverpool by and opened plants in north-east England.

So the Merseyside motor industry is down to 5,000 jobs and shrinking fast. Macmillan's initiative has come to nothing. Indeed in relative terms, as I remember from personal experience, Liverpool was considerably more prosperous in the early Sixties than it is now.

There was nothing inevitable about this decline. British workers can handle new manufacturing or industrial tasks when they get the chance. Over the same period that the Merseyside motor industry has been failing to establish itself, Scotland has created a successful business in manufacturing electronic components. The enormous North Sea oil industry has been created from scratch. And the Japanese motor manufacturers have come back for more, though not on Merseyside.

Why not Liverpool? I believe the casualisation of labour in the docks, which for generations involved hiring men by the day, left a tradition of uncertainty, aggression, and bitterness in industrial relations which permeated the new manufacturing plants. From the Sixties until the late Eighties, Liverpool had the worst industrial relations in the country. In retrospect, this appears a sort of revenge for the terrible exploitation of the 19th and early 20th centuries, which left the dead buried and marked the final "winter of discontent" of the last Labour government in 1978, took place – of course – in Liverpool. Through the Sixties and Seventies, national strikes always lasted longer on Merseyside. When workers else-where had gone back, the Liverpool men would



Andreas Whittam-Smith

There has been no political leadership of the kind that has secured an expanded airport for Manchester

a good infrastructure. Merseyside still has excellent schools; Liverpool University is an effective institution. Local pride and identity is strong, focused on its football teams. Liverpool's pastors, the late Archbishop Worlock, Bishop David Sheppard or Canon Nicholas Froyling, have a national reputation.

But there has been no political leadership of the kind which Manchester demonstrated last week when it obtained permission for the expansion of Manchester Airport. Liverpool's local politics, like its labour relations, were notoriously fractious for most of the 1970s and 1980s. The TV cameras could always find a punch-up at Liverpool Town Hall to film when they ran out of images of striking workers standing round a brazier at the factory gate.

Manchester claims that building a second runway has an employment potential equivalent to 10 Nissan car plants. It forecasts the creation of 7,000 jobs on site and more than 43,000 in the region as passenger movement doubles. The assumption is that good international communications are a strong attraction for business looking for a British base or site for a factory. The road network of north-west England is already good. Liverpool had hoped that its own airport rather than Manchester's would be expanded. But Manchester airport is close enough to serve Liverpool's purposes. A big airport may lack the romance of a bustling port yet it can have the same effect. The news of the second runway is a patch of genuine brightness amidst the gloom of the Ford announcement.

## Why I trust Jack Straw to do the right thing

by Polly Toynbee

In liberal circles, there are few names more revered than that of Jack Straw. His abrupt 11th-hour U-turn last week on the Police Bill will have done little to assuage liberal antipathy: they shudder and wave garlic in the air at the sound of his name. Some even threaten (idly, no doubt) not to vote Labour because of him. They say that there is not a Ritz paper between him and Michael Howard, so what's the point?

Are they right? I think not. As for Jack Straw, he replies robustly and somewhat rebukingly that all this liberal angst is a metropolitan fixation, and hints at Hampstead novelists and Stockwell leader writers, who suffer so much less from crime than the housing estate tenants of his own Blackburn. Certainly his own party does not regard him as a liability. Quite the contrary: he has never been in more demand to speak in constituencies up and down the land, and candidates know who the vote-getters are.

However, liberals (note the small "l"), are right to smell a rat when Labour politicians boast of their closeness to the working-class soil in defence of some populist bit of illiberal crowd-pleasing. Jack Straw has had a bad few days. While he might not have bent under liberal assault, once the *Mail*, *Times* and *Telegraph* joined forces with Liberty and other civil rights campaigners to condemn his support of the Police Bill, retreat was the only option. As a result of Labour's opposition, there is a good chance that the Bill will be wrecked when the House of Lords debates it today.

The Police Bill has been attacked as a fundamental assault on civil liberties. It gives chief police officers the right to break and enter and to bug without a warrant from an independent judge. They can do so in pursuit of any "serious crime", but definition is so loose it might include road protesters. It gives no protection to lawyers, doctors or journalists in their confidential dealings with clients or sources. A bad business.

However, once it is explained that these are not new powers but a codification of existing practice, a new light is shed on matters. Introduced by Labour in 1977, and confirmed in 1984 guidelines, this is, apparently, what the police have been allowed to do all along. These powers may be a serious infringement of rights and should



Would he be the monster Home Secretary many fear – or is he, in fact, a Nineties liberal well disguised in wolf's clothing?

never have been allowed. But the decades of indignation that have greeted the Bill from some quarters recently seem overblown in the circumstances.

Even if the Bill was designed to smoke Labour out (which it wasn't), Mr Straw would have been foolish to jump into the trap, so offering Mr Howard a chance to claim that Labour was on the side of the criminals. Labour might have pleased its liberals. But what would have been the point if Mr Howard was helped back into power? Liberal words may please some of us mightily, but they butter few electoral parsnips.

As it is, Mr Howard failed to predict that the right-wing libertarians would come out against him: "the Englishman's

home is his castle" is a British fundamental which excites many rarely-used constitutional nerves. (I think it is the pleasing word "castle" that gets them going, tweaking the *Country Life* and *The Field* wannabes.)

Some of us, though, might be a trifle less exercised about the Englishman's right to his castle than other Englishmen's right to a home. It is curiously unedifying to see the "rights" army out in force, apparently oblivious of the monstrous injustices perpetrated against armies of citizens every day of the week in our name: not just the lack of rights of those sleeping in the streets, but the mentally ill, alone and deranged in the community, destitute families

children in care destined for a life of calamity, and so on.

So would Jack Straw be the monster Home Secretary the liberals fear? Trampling on rights, playing to the lowest law and order instincts? I think not. Now this may take quite a leap of faith, the way Labour are talking these days. Labour's party political broadcast last week stretched liberal tolerance past breaking-point. In it a young *Daily Mail*-reading couple talk about crime: "Paul: Number 28's been burgled. I bet it's that gang of yobboes again. Helen: Even if they catch 'em they get off scot-free. Voice over: Already crime has doubled under the Tories. Paul: If they get back next time there'd be more criminals getting off."

Just take that one line. "Even if they catch 'em they get off scot-free." With prisons overflowing and billions spent on new prison buildings, accusing the Tories of failing to punish those they catch is hardly reassuring about Labour's plans. Rhetoric of this kind is corrosive, poisoning the veins of the national bloodstream. How are people to think in a mature way about difficult social problems, their causes and cures, when debate is reduced to this men-acious nastiness?

Watching the party political broadcast, I asked a life-long supporter if this was the Labour party he knew and loved. "No," he said. "But the Labour party I know and love never won elections." So is this what it takes? Maybe.

In the end, it is by his actions as Home Secretary that we shall judge Jack Straw. I believe that when the time comes, he will do the right things, even if he deliberately makes the wrong noises while doing them.

Will he be illiberal? "Wait and see," he says with a trust-me grin. So which previous Home Secretary does he admire? Roy Jenkins, the great reformer. What monuments would he wish to leave behind him? First – to have brought the European Convention on Human Rights into the British Constitution. Second, catch more criminals and deal with them more effectively, according to the research that shows what works best. Current detection rates are so low that only 1 in 50 crimes get near a court. Third, he wants a reputation for successfully tackling racism, including repealing Mr Howard's Asylum Act and reducing the shocking black youth unemployment rates. Not a bad set of monuments.

He talks with most passion about reforming the chaotic justice system. He will drastically reduce school exclusions; catch and treat young criminals before they mature; process them through court immediately, instead of months later; introduce mentoring schemes and other projects that divert youth from crime. He will ensure good education in prisons and effective treatment and teaching for children in care; a quarter of prisoners come from care.

Do you believe him? For the time being, all you can do is look into his eyes, listen to the timbre of sincerity in his voice and hope for the best. "Wait and see" he says. We have no choice, but I am inclined to believe that Jack Straw is nothing like as illiberal as he pretends to be now.

## Clinton II – old scandals, new chances

Sequels rarely match the original, but this one may confound the sceptics, says Rupert Cornwell

WASHINGTON – Alexander Lebed will be there (though at precisely who's invitation is a mystery). But La Streisand will not (allegedly because White House protocol bars her from sharing the Lincoln bedroom with her beau, James Brolin). There are a record 14 balls tonight, but a 10th of hotel rooms here are unbooked. Admittedly, hopes are high that the sleek, shimmering gown that Hillary has commissioned from the couturier Oscar de la Renta will provide the First Lady with a rare fashion success. But Bill's book of only last September, *From Hope to History*, originally priced at \$16.95, is being reissued off at \$5 a throw as part of a bric-a-brac souvenir package. All of which is to say that when William Jefferson Clinton, 42nd President of the United States of America, is inaugurated today for a second term, a certain pizzazz will be missing from the Yankee coronation.

How different from four years ago, when a modern-minded young Southerner, brimming with ideas retraced the journey of Thomas Jefferson from Monticello to Washington, and the capital dream of a new Camelot.

One reason for the lack of exuberance, inevitably, is that sequels are rarely as good as the original. The faces are the same, the policies mostly watered down, and the freshness of a wedding has given way to the drearier reality of married life. But that alone does not quite explain the strange mood.

The start of Clinton II is a moment of high possibilities but low expectations. On paper, the stars are aligned for bipartisanship as rarely before. Once again America's voters have opted for divided government, telling the two parties, in other words, to co-operate. The Republicans have retained Congress, but are a chastened bunch, very different from Newt Gingrich's overweening invaders of January 1995. The President, too, has learnt that success lies in moderation, in courting the "vital centre" rather than the strident core constituencies of his Democratic party.

But behind the soaring call for national unity and purpose that Mr Clinton will send forth from the steps of the Capitol today lies the rancorous reality of the controversy surrounding the Speaker, Newt Gingrich, which – on the House side, at least – has turned the 105th Congress into a snake pit before it has done a day of proper business. Then there is scandal – or rather scandals.



Clinton's first inauguration: a modern-minded Southerner dreamt of a new Camelot

Some see hope in a "symmetry of sin": that the ethical problems facing the Speaker and the President in a sense cancel each other out, and will prompt each side to seek a truce. Mr Clinton, after all, is looking for a place in history; Mr Gingrich for redemption. Both men say they want to balance the budget. Both have acknowledged, albeit in differing language, that curbs on middle-class entitlement programmes such as Medicare are essential to achieve this.

Both have spoken passionately of the need to tackle the most intractable of American problems, race relations. Few Republicans would quarrel with Mr Clinton's two other domestic priorities, of improving education and ensuring that the welfare reform Bill he reluctantly signed last year works in practice. These indeed are high possibilities – though probably even to achieve all of them would not turn Mr Clinton into a Great President. Only Washington, Lincoln and FDR are generally accorded that distinction, thanks to

the huge challenges that history have given them: the Revolutionary War, the Civil War, the Depression and the defeat of Nazi Germany. Fortunately for Americans, Mr Clinton presides over less interesting times. But why are expectations so low, and why the vague foreboding that the best of Clinton has already been seen?

Part of the answer is history. Second terms are usually disappointments, from the arrogance of FDR (though he would magnificently redeem himself in his third) to the fumbling of Reagan and the bumbling of Eisenhower, and to the catastrophe of Richard Nixon. Clinton, runs the conventional wisdom, will have a brief window of opportunity this year to throw out his famous bridge to the 21st century. Then he will be rudely shoved aside by the 1998 mid-term election battle, and the 2000 presidential race immediately thereafter.

In fact, the lame-duck theory is less than wholly convincing. Ronald Reagan made his

greatest historical legacy – the breakthrough encounter with Mikhail Gorbachev in 1985, which led to reciprocal superpower summits and arms control deals that were the beginning of the end of the Cold War – in his second term, much of it amid Iran-Contra, a scandal of government far worse than any bothering Mr Clinton right now. And does he not, aided by Madeleine Albright, his forceful Secretary of State-designate, have at least an equal opportunity of shaping world history in his second term: in the Middle East and the Balkans, with a post-Cold War accommodation between an expanded Nato and Russia, and perhaps even an understanding with China?

But this overlooks a crucial difference between the two men. Mr Reagan was trusted. Mr Clinton, despite a best-ever approval rating of more than 60 per cent, still is not. He remains a minority president, elected by the lowest turn-out of voters in three-quarters of a century, as the least bad of the options available, tolerated rather than loved. All of which makes the ethical clouds around the White House especially dangerous.

Probably none of them will drive Mr Clinton from office. At the risk of gross oversimplification, a bookie would set out the form thus. The Paula Jones sexual harassment suit, if the Supreme Court allows it to proceed, will be squirmingly embarrassing, but not a matter for impeachment. Nor do the various runners from the Whitewater stable, at least as far as the President is concerned, seem to carry "high crimes and misdemeanours" potential – although indictment of Mrs Clinton by the special prosecutor Kenneth Starr remains a small but hideous possibility, whose impact on the Clinton presidency would be incalculable.

Then there is "Indogate", the seamy Asian fund-raising by the White House and the Democratic National Committee. The Republicans will make hay in Congress, but failing proof of a policy *quid pro quo*, in other words a bribe, the controversy is likely to peter out. But then who would have said, four years ago, that Whitewater would last twice as long as Watergate, with no end yet in sight? Let Bill Clinton enjoy his day – and at least avoid the fate of William Harrison, the ninth President. He was inaugurated, made an hour-long speech in the rain, caught pneumonia, and died a month later.

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## obituaries / gazette

Stephen  
Fitz-Simon

Flashback in time to the Swinging Sixties. The place is London. Among the usual colourful cast of pop stars, artist, actors and fashion photographers at the decade-long party, you would almost certainly notice a kohl-eyed vamp, her feather boa fluttering around a slinky low-cut sequined jacket. That is the Biba girl, embodiment of the innocent decadence of her time, brilliant brainchild of the designer Barbara Hulanicki and brought to life as the retailing phenomenon of the Sixties and Seventies by Barbara's husband, Fitz.

Just as Barbara swept great gusts of glamour into life, it was Stephen Fitz-Simon (known by all as Fitz) who turned the dusty business of fashion retailing on its head with his enormous sense of fun and constant air of amused cynicism. They made a glamorous couple and appeared so closely bonded it is impossible to talk about one without the other. Although it is her name that became the fashion legend, Barbara and Fitz created Biba together. It was Fitz who turned Barbara's remarkable style into solid retailing strategy. Yet he was an improbable candidate for a career in the fashion business.

The Fitz-Simons were a Norman-Irish family who had moved to England in 1909. Fitz, the son of a motor engineer, was born in 1937 and educated at Beaumont College, the Jesuit public school in Surrey (now closed). He claimed that after National Service he earned a living throwing darts in London pubs. In fact he went into advertising and had become an account executive at LPE (London Press Exchange) when his raffish good looks caught Barbara's attention across a crowded room at a party. Barbara says she decided then that he was the man for her.

The daughter of a Polish diplomat who was assassinated

in Palestine in 1948, Barbara had left Brighton art school by then and was a successful fashion illustrator. Fitz's handsome features were recognisable in many Hulanicki fashion sketches from 1959 on. They did not meet again for two years, by which time he was engaged to someone else. Fitz broke off his engagement and married Barbara in November 1961.

It was Fitz who first encouraged Barbara to design clothes and market them by mail order. In 1963 Biba's Postal Boutique – the name Biba was borrowed from one of Barbara's sisters – was tentatively launched. Their first major success came a year later – a pink and white gingham frock with Bardot-style headscarf to match. A record 17,000 gingham dresses sold, at 25 shillings (£1.25) each, after it was featured in the *Daily Mirror* in May 1964, with the Fitz-Simons' profit five bob a dress.

It was, however, Fitz's warm-up for the rag trade. By the time they opened the first Biba shop later that year, in a former chemist's in a Kensington side street, Fitz had given up his advertising job and had become a budding retail tycoon innovating such revolutionary ideas as late-night shopping, low-priced disposable glamour, haughty shop assistants and communal changing rooms. He also learnt fast how to estimate production costs to the nearest penny.

Much of his business was conducted in the local pub, where he took refuge when his tiny office behind the shop was commandeered as a changing room, or when a supplier like Molly Parkin, who was making hats for the shop and became a firm friend, pursued him for payment. If stock sold out before fresh supplies were delivered, the shop just closed a bit early that day. A successful day's takings were celebrated with champagne or Fitz and Barbara might take the sales staff out for

dinner. I know – I was one of them.

By mid-1965 Biba moved to a larger shop on Kensington Church Street. In 1968, with sales in the Church Street shop booming, Fitz and Barbara launched the Biba mail-order catalogue. While it was initially a success, the expansion and investment involved with a 5,000 square foot warehouse in Chiswick, teams of quality controllers, packers and managers, meant for the first time that Biba was no longer a tightly controlled family business. The mail-order market, fickle at the best of times, was phased out after five seasons. In 1969, to finance Biba's move to their first large shop in Kensington High Street, the Fitz-Simons sold 75 per cent of the business to Dorothy Perkins.

Fitz relished the cut and thrust of running his retail empire. The day-to-day disasters that dog any venture were treated as a potential source of good-natured amusement. A warm, friendly man – and generous to a fault – he could be prickly and sharp in business deals, able to slug out any deal to his own satisfaction. He appreciated toughness in others too. When Barbara complained about a particularly overbearing employee Fitz had employed, he said, "I know he's a right bastard, but that's what we need."

In 1972, even before Barbara and Fitz made their final move into Big Biba in the Derry & Toms building in Kensington High Street, they realised control of their empire was slipping from their hands. British Land had taken over Dorothy Perkins. Biba's major shareholders, Barbara got her vast five-storey Art Deco emporium and transformed it into a legendary temple to everything hip. "Fitz always made my fantasies come true," Barbara said. "We had many wild dreams.



Sixties phenomenon: 'Fitz' and his wife, Barbara Hulanicki

Photograph: Hulton Getty

Our problem was they always came true." In 1975, although Biba's end-of-year figures showed a profit – vindication that Fitz's instincts were right – the store closed. The Biba label was sold and today belongs to the Hong Kong entrepreneur Ellen Shek.

The Fitz-Simons moved to Brazil with their son, Witold, then eight, and two Great Dane dogs and started all over again with a new shop in Sao Paulo. This time it was called Barbara Hulanicki and was an instant success. In 1980 they decided to move back to London, to give

their son a British education. They stayed just five years, established a cosmetics business, launched a children's clothes line in Japan and even opened another small shop.

When their son left school to go to college in New York to study film, they sold the cosmetics business and moved to Miami, where Barbara had been commissioned by Ronnie Wood to design his South Beach club, Woody's, and where she has built up a new career as an interior decorator. Fitz too was working, on a novel.

In April 1996 Fitz and Barbara were back in the fashion business, briefly. The success of Fitz-Fitz, their new shop in downtown New York, was short-lived. When Fitz became ill in October they closed it. A screenplay written with his son Witold, and completed shortly before Fitz died, will go into production later this year.

Liz Smith

Stephen Charles Fitz-Simon, fashion retailer: born Surbiton 5 March 1937; married 1961 Barbara Hulanicki (one son); died Miami 16 January 1997.

## Paul Tsongas

Paul Tsongas was a political oddity, an entrant in fiercely competitive US presidential politics who actually raised the standards of that notoriously tight trade. The year was 1991, and the incumbent Republican George Bush was at the height of his post-Gulf War popularity, seemingly so certain of re-election that no Democrat dared challenge him. But that May, amid little fanfare, one finally did – an uncelebrated former Massachusetts Senator named Paul Tsongas.

At first the very notion defied logic. Tsongas had left Congress seven years earlier, he held no elected office in his native Massachusetts, and his health was uncertain. On a personal charisma scale of one to ten, he rated minus three, and his policy message might have been calculated to repel support.



Tsongas: straightforward

Most candidates promise good things, but he offered pain: no gaudy tax cuts, and a shift in resources from consumption to investment, all in the name of balancing the budget and saving the country from financial ruin. But slowly Tsongas caught on,

even if it long seemed he would finish no better than a worthy second to the Democrats' early-season sensation, the youthful Governor of Arkansas. But, as 1992 began, scandals of sex and alleged Vietnam draft-dodging erupted around Bill Clinton. Tsongas edged ahead and even won the traditionally crucial New Hampshire primary. Of course it could not last. Clinton recovered in the Southern primaries which immediately followed, and, after resounding defeats in Illinois and Michigan in mid-March, Tsongas withdrew, both physically and financially exhausted.

But his impact lasted far longer. Indirectly, he heightened the impression of domestic policy ineptness which would cost George Bush a second term. There is the memory of Tsongas' uncomplicated

courage in dealing with an illness that would have ended most men's careers, if not their lives. He left the Senate in 1985, having served just one term, when he was diagnosed with non-Hodgkin's lymphoma, a mostly fatal cancer. Tsongas instead underwent an untested bone marrow transplant procedure which, though the cancer recurred later, would prolong his life for a dozen years. Never did he allow invasive and painful therapy to interfere with his public life.

And that austere, anti-populist platform of 1992 is today more relevant than ever. With Warren Rudman, his Republican Senate colleague from New Hampshire, and the Wall Street banker Peter Peterson, he founded the Concord Coalition pressure group to continue the fight for a balanced budget. If

that cause has now been embraced by both Republicans and President Clinton, and the need for cuts in middle-class entitlement programmes has been accepted by both sides, much of the moral credit belongs to Paul Tsongas.

The son of a Greek immigrant, he betrayed few of the characteristics usually associated with that race. He was dispassionate, anything but flamboyant. His voice was lispy and nasal, his speaking style laconic, albeit occasionally laced by some self-deprecating asides. His message was less Periclean than Puritan. At his worst he could come across as insufferably pious and sanctimonious – a "holier-than-thou" moraliser who in the 1992 campaign visibly irritated a Bill Clinton under constant fire on the "character" front.

Rupert Cornwell

Paul Efthymios Tsongas, politician: born Lowell, Massachusetts 14 February 1941; married 1969 Nicola Sauvage (three daughters); died Boston, Massachusetts 18 January 1997.

## Harman Grisewood

There was one friendship in Harman Grisewood's life which was so important to him that I should like to add a note about it further to Leonard Miall's admirable obituary (10 January), and that was with the artist and poet David Jones, writes E. C. Hodgkin.

"I miss Harman appallingly," Jones wrote in June 1941. "They have gone to live at Richmond, found a house and settled down there... but I am jolly sorry for the complete break-up of all that old Chelsea thing. I can hardly bear it. I do miss seeing Harman and calling on them more than I can say."

This was in a letter written to Tom Burns, another of Jones's great friends, later editor of the *Tablet*, who in the 1920s shared a house in St Leonard's Terrace, Chelsea, with his doctor brother, and so became the animator of the "Chelsea thing".

"Those were halcyon days," Burns wrote in his autobiography, *The Use of Memory* (1993). "What a roaring time we had." Grisewood and Jones were both regular "lunchers" at St James's Terrace, where there was endless exciting talk about art, religion, history and much else.

New jobs, new loyalties (including marriage, for Grisewood, but not for Jones) meant dispersal, though friendships were kept in good and happy order by visits and, above all, by correspondence. Grisewood and Burns were two of the correspondents who made up the 1980 volume of Jones's letters, *Dai Greadcoar*, the third being René Hague, who edited it and who married Eric Gill's daughter Joan. (Jones had for a time been engaged to another of Gill's daughters, Petra.) This was part of a multi-way correspondence, supplemented rather than dam-

aged by the telephone. Jones, when he got through on the telephone, liked to chat for hours. It was with Grisewood above all that Jones discussed his writings. "I do not think I should have continued, especially through the earlier stages, had it not been for the sensitive enthusiasm and understanding of Mr Harman Grisewood," Jones wrote in 1937 in the preface to *In Parenthesis*, a tribute which he was to repeat 15 years later in the preface to *The Anathemata*.

Jones had been a friend of mine from the early 1930s, and had often spoken to me about this "marvellous chap, Harman Grisewood", but I don't think we met until 1966, when he briefly joined the editorial staff of the *Times*, where I had been working since 1952. Sir William Haley was then editor, and Grisewood had been closely involved in the genesis of the in-

novation of which Haley had been proudest during his time as Director General of the BBC – the Third Programme, of which Grisewood was to become the Second Controller. Haley wanted to start a Diary, and after, I suspect, a good deal of arm-twisting, persuaded Grisewood to prepare one and get it going. Grisewood was a very clubbable man and knew masses of people, but he was no more at ease in the job than Harold Nicolson had been as editor of the *Londoner's Diary* on the *Evening Standard*, and he stayed only six months. But how good it was to have him as a colleague, and so the privilege of another friendship and a fresh insight to those that had formed the "Chelsea thing".

Harman Grisewood was one of my husband Douglas's oldest friends, writes Nest Cleverdon.

They overlapped at Oxford in the 1920s, and were held together for the next 60 years by their mutual love and admiration for David Jones, that most unpractical of all poets and painters.

David was propped up all his life by a noble band of friends, and Harman was easily the most noble. It is doubtful if those two great books *In Parenthesis* and *The Anathemata* would ever have been written without his patient sympathy and practical help. After David's death, it fell to Harman to sort and edit his vast bulk of archive papers and to ensure that they were properly sorted and deposited; would that all writers had such a friend. His name should go down in literary history in the same category as Joseph Severn, John Keats's friend, or Cowper's beloved John Johnson. One other memory of Har-

man: a lunch at our Albany Street house in the Fifties; the guests mostly members of Ouds 30 years before – John Betjeman, O.S.B., Osbert Lancaster, J.T. Yates, John Crow. Conversation became more and more hilarious, and luncheon ended in an unforgettable cod-Shakespeare scene – Osbert as a pompous King, John Betjeman an obsequious Archbishop, Harman's gnome-like figure skipping in and out as the Messenger with ever more and more unsuitable tidings. Eventually they all left for Broadcasting House, in no fit state for the recording which had been planned, and I was left giggling into the washing up.

In my obituary I erroneously referred to Ampleforth College as a Jesuit boarding school instead of a Benedictine one, writes Leonard Miall. I apologise.



Mason: forthright, funny and larger than life

Photograph: BBC

## Ronald Mason

A master of legitimate exaggeration, Ronald Mason was a spell-binding teller of tales. He was also a character about whom many stories were, and will continue to be, told. Most have a comic edge, all of them are full of drama.

Born into the Protestant, professional classes in Ballymena, where he shared an early education with Ian Paisley, Mason seemingly possessed all the conventional attributes which an Englishman might associate with such an Ulster background. This perception was reinforced by a euphonious, educated Ulster accent and an ability to speak, as well as write, in complex, Latinate, Cromwellian English full of clauses, sub-clauses, simile and metaphor, peppered with literary or biblical quotes (and misquotes) and always beautifully punctuated, even for the receiving ear. All this was perfectly in accord with a cultured graduate of Queen's University, Belfast, who began his career teaching English and French in Coleraine in the late 1940s.

Yet there was a histrionic element to this mode of speech which indicated all was not as authoritarian and the classic virtues. There was a highly dramatic lengthening and teasing out of the vowels used for forceful or comic effect, something which friends and colleagues loved to imitate – and he knew it. Behind the self-dramatisation was a wonderful sense of fun in the story-telling and the ability to puncture a more serious self with objective humour and self-deprecation.

What one remembers most about Ronald Mason – for 10 years Head of BBC Radio Drama – is not the way he looked, but the way he spoke. He was both poet and politician, creator and administrator. The tension between these two elements always made for excitement and it was a duality reflected in his BBC career which achieved a perfect synthesis when he took over Radio Drama in 1976. The public servant, Ronald, came together with the slightly Bohemian drama director, Ronnie. But woe betide any unfortunate who transgressed in confusing the private and familiar "Ronnie" with the public person "Ronald". Great was the Ulster wrath which could descend.

The seventh child of a seventh child, he had a sixth premonitory sense and an unexpected feyness behind the strictness and decisiveness which appealed to writers and actors. He himself was a good amateur actor, particularly at university, and had entertained the idea of taking up acting professionally. He had also entertained the notion of becoming a politician. Mercifully he did neither, but combined these aptitudes for the encouragement and enablement of others.

After six years as a teacher he joined the BBC as a radio producer in Belfast in 1955. There he worked with Irish writers such as Sam Thompson and Stewart Love and, most especially, Brian Friel amongst whose plays directed by him were *Philadelphia Here I Come!*, *The Loves of Cass McGuire* and *Winners*, which won the BBC Prix Italia entry for radio drama in 1968. During a period with BBC television in the mid-1960s he directed Brian Friel's *The Enemy Within*, and was responsible for the series *Double Image*. He also directed plays for the theatre at Harrogate, Richmond (Yorkshire) and in Northern Ireland.

John Tydemans

Ronald Charles Frederick Mason, drama director: born Ballymena, Co Antrim 8 September 1926; drama producer/director, BBC 1955-70; Head of Programmes, BBC Northern Ireland 1970-76; Head of BBC Radio Drama 1976-86; died London 16 January 1997.

Births,  
Marriages  
& Deaths

## DEATHS

**HAWKINS:** On 13 January, suddenly, 81, Mr Tom Baker, actor, 61; Sir John Chadwick, High Court judge, 56; Air Marshal Sir David Cousins, Air Member for Personnel, 54; Mr Derek Dougan, sports medicine coordinator, 59; The Very Rev David Edwards, Provost Emeritus of Southwark Cathedral, 68; Lord Ewing of Kirkcaldy, former MP, 66; Sir Henry Fisher, former President, Wolfson College, Oxford, 79; Miss Liz Goddard, actress, 47; Lord Hanson, industrialist, 75; Major Dick Hern, racehorse trainer, 76; Mr Frank Johnson, Editor, *Spectator*, 84; Commandant Nicola McBride, former director, WRNS, 76; Mr Christopher Martin-Jenkins, radio sports commentator, 52; Miss Patricia Neal, actress, 71; Dr Jessica Rawson, Warden, Merton College, Oxford, 54; Mr Nathan Shecharansky, Soviet dissident, 49; Mr Eric Stewart, rock guitarist, 52; Mr Curtis Strange, golfer, 42; Professor Nalin Chandra Wickramasinghe, astronomer, 58; Mr

## Birthdays

Dr Edwin (Buz) Aldrin, astronaut, 57; Mr Tom Baker, actor, 61; Sir John Chadwick, High Court judge, 56; Air Marshal Sir David Cousins, Air Member for Personnel, 54; Mr Derek Dougan, sports medicine coordinator, 59; The Very Rev David Edwards, Provost Emeritus of Southwark Cathedral, 68; Lord Ewing of Kirkcaldy, former MP, 66; Sir Henry Fisher, former President, Wolfson College, Oxford, 79; Miss Liz Goddard, actress, 47; Lord Hanson, industrialist, 75; Major Dick Hern, racehorse trainer, 76; Mr Frank Johnson, Editor, *Spectator*, 84; Commandant Nicola McBride, former director, WRNS, 76; Mr Christopher Martin-Jenkins, radio sports commentator, 52; Miss Patricia Neal, actress, 71; Dr Jessica Rawson, Warden, Merton College, Oxford, 54; Mr Nathan Shecharansky, Soviet dissident, 49; Mr Eric Stewart, rock guitarist, 52; Mr Curtis Strange, golfer, 42; Professor Nalin Chandra Wickramasinghe, astronomer, 58; Mr

Nigel Williams, novelist, 49; Mr John Withrow, Editor, *Sunday Times*, 45.

## Anniversaries

Births Andre-Marie Ampère, physicist, 1775; Richard Le Gallienne, writer, 1866; Hudie Ledbetter ("Leadbelly"), blues artist, 1889; George Burns (Nathan Birnbaum), comedian, writer and producer, 1896; Colin Clive (Clive Greig), actor, 1898; Joy Frederike Victoria (Geyner) Adamson, companion of wild animals and author, 1910; Federico Fellini, film director, 1920; Deaths David Garrick, actor, 1779; Sir John Soane, architect, 1837; Jean-François Millet, painter, 1827; Richard Doddridge Blackmore, novelist, 1900; John Ruskin, social reformer, art critic and writer, 1900; Charles Montagu Doughty, poet and traveller, 1936; King George V, 1936; Edmund Charles Blunden, poet and critic, 1974; Derrick Heathcoat-Amory, 1st Viscount Amory, statesman, 1981;

(Peter John) Johnny Weissmüller, actor and swimmer, 1984; Sir Robert Brown Fraser, 3rd Director General of IFA, 1985; Audrey Hepburn (Edda van Heemstra Hepburn-Ruston), actress, 1993; Sir Matt (Matthew) Busby, football manager and president, 1994. On this day: the trial of King Charles I began, 1649; Hong Kong was ceded to Britain by China, 1841; the Mersey Railway Tunnel was opened by the Prince of Wales, 1886; the first game of basketball was played, 1892; the RAF dropped 2,500 tons of bombs on Berlin, 1944; John Fitzgerald Kennedy was inaugurated as the 35th US President, 1961; Bill Clinton was sworn in as 42nd US President, 1993. Today is the Feast Day of St Euthymius the Great, St Fabian, pope, St Fechin and St Sebastian.

## Lectures

Leicester University: Professor R.P. Wiseman, "Cicillius and Lesbia", 5.15pm.

The following notes of judgments were prepared by the reporters of the *All England Law Reports*.

## Land

*Hypo-Mortgage Services Ltd v Robinson*, CA (Nourse LJ, Sir John May) 7 Nov 1996. Where a house was held on trust, the presence in the house of an infant beneficiary by a sole trustee did not support a claim that the mortgagee took subject to an overriding interest in favour of that beneficiary. Such a presence could not amount to "actual occupation" for the purpose of s 70(1)(g) of the Land Registration Act 1925 because an infant, even if not occupying in the shadow of a parent or other adult, lacked

the legal capacity to consent to the transaction and to respond to relevant inquiries.

*Jonathan H. Marks (Executors, Curdiffe) for the plaintiff mortgagee; the defendant in person.*

## VAT

*Customs & Excise Comrs v Bassimbe*, CA (Evans, Henry, Aldous LJ) 20 Nov 1996. A penalty was assessed personally on a company director under s 14 of the Finance Act 1986 where the company's default over a four-year period was attributable to his dishonesty and the company had been assessed to a penalty under s 13 of the Finance Act 1985. The

## CASE SUMMARIES

20 January 1997

assessment and its notification to the director as a total sum not split into prescribed accounting periods were valid. All he needed to know was that the assessment on him, as opposed to the underlying assessment on the company, was properly made and notified to him. He did not need to know the details of the assessment on the company.

*Report Baldry (Barry Phillips & Co) for the director; Nigel Fleming QC (Customs & Excise).*

*Aspro Travel Ltd v Customs & Excise Comrs; QBD (Keene J) 22 Nov 1996. Four operators accounting for*

VAT under the 'Tour Operators' Margin Scheme, in Customs leaflet 709/88, were not permitted to elect retrospectively not to use the standard method of calculation provided by the scheme. Under the standard method, all supplies by third parties to the tour operator's customers were covered, wherever they were enjoyed but election might be made to account separately for supplies made to customers within the EC and those outside. Election to use the alternative method had to be made at the latest at the end of the taxpayer's financial year when adjusted accounts became due.

*Roderick Cordons QC, Priscilla Cagill-Thompson (Garrett & Co, Leeds) for Aspro; Kenneth Parker QC (Customs & Excise).*

## DEREK PAIN

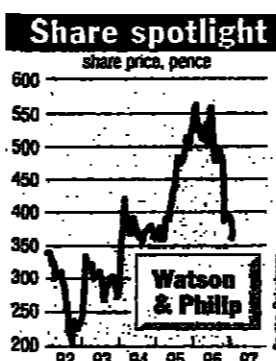
## Stock market reporter of the year

The Alldays operation, with 530 outlets, has, like Budgens linked with a petrol giant – in its case Total, is another from

its case Total. It operates from more than 30 Total garages and there are plans for a further 200-250 forecourt shops over the next three years. All told, the ambition is to build a chain of 1,000 Alldays outlets.

Tesco is scheduled to pronounce on its festive trading tomorrow, with Sainsbury checking in on Friday. The other leading supermarketeers Asda and Safeway, should also give details of their holiday performances either this week or next.

The market believes the food retailers enjoyed good trading in what, so far, has turned out to be a patchy period, with the likes of Body Shop and Sears having disappointing times.

[illegible]

# business & city

Business news desk: tel 0171-293 2636 fax 0171-293 2098  
BUSINESS & CITY EDITOR: JEREMY WARNER



Nicola Horlick: Selected to rebuild morale last autumn

## Morgan prepares offensive to hold on to clients

Jill Treanor  
Banking Correspondent

Morgan Grenfell Asset Management's top fund managers are set to go into battle this week to prevent their business falling apart after clients' concerns about the stability of the operation were reawakened by the controversial departure of Nicola Horlick.

They will also seek to quash rumours that senior management at the bank's head office in Frankfurt, where the parent company Deutsche Bank is

based, are furious about the way the London management of MGAM handled her resignation.

Deutsche Morgan Grenfell, the investment banking arm of Deutsche which runs MGAM, yesterday denied a rift between Frankfurt and London. "There is not one millimetre of difference between Deutsche Bank and MGAM," a spokesman said.

The high-profile departure, which involved a mad-dash trip by Mrs Horlick to Frankfurt Friday to ask for her £1m-a-year job back accompanied by a press pack, is a setback for the

fund management group's attempts to repair the damage caused by the Peter Young scandal in September.

She was one of the key fund managers selected to mend client relationships and rebuild staff morale after MGAM discovered that Mr Young, once a star fund manager, had set up a complex web of Luxembourg holding companies to hide the extent of his investments in unlisted companies.

But her efforts late last year to reassure clients may have gone to waste. Pension fund trustees

are by nature cautious and crave stability, so the events of last week will have done little to re-inforce confidence in MGAM's management structure.

"This is entirely the opposite of what Morgan Grenfell should have been doing," said one pensions fund adviser. "It can't be anything but upsetting for Morgan Grenfell clients," said another pensions expert.

The Peter Young scandal is at the root of last week's events, because it forced the resignations last year of a number of key MGAM executives, including

Keith Percy, chief executive, who hired Mrs Horlick.

A management buyout of the business after the Peter Young scandal is rumoured to have been discussed, although sources believe it would have failed.

Her departure, so close to Mr Percy's, is adding to clients' worries. "There's been a loss of two important people from the organisation who have contributed positive returns," said one top pensions consultant.

John Conroy, head of European asset investments at

Towers Perrin, said: "The real problem is that it's going to be perceived as mismanagement by Morgan Grenfell in quite a serious way. We've told clients that it needs very careful consideration and advised our clients that this is quite serious and worthy of investigation."

But because it is costly to change managers, few advisers predict a sudden loss of business. "I don't get any sense of an immediate exodus at all, and we won't get a sense of that until the trustees meet later in the year," said a pensions consultant.

Mr Smith acknowledged over the weekend that the firm may lose some business as a result of the affair but played down its long-term impact.

One client, Alan Bennet, pensions director at Whitbread, said he would wait for further developments before making any decision about pulling a mandate from the firm. "Morgan Grenfell have done a good job for us," he said.

Last week MGAM wrote to its pension fund clients to assure them the remaining fund managers would stay with the firm.

## The £34bn tax hikes Labour could impose

Diane Coyle  
Economics Editor

New research published today by investment bankers NatWest Markets presents a speculative but plausible list of tax increases adding up to nearly £34bn which a Labour government could introduce within the lifetime of a parliament.

As Gordon Brown, the shadow chancellor, kicks off a long-awaited series of speeches about his tax and spending plans today, NatWest's City economists have begun to flesh out the detail of Labour's policies for themselves.

The list is headed by the windfall tax on which Mr Brown will focus in his speech. The amount the party plans to raise from this has crept up from about £3bn originally to £10bn now.

Despite a ferocious lobbying campaign against the tax, with opponents raising the spectre of a legal challenge, Labour is utterly determined to introduce it in order to fund its plans to get a quarter of a million of the long-term unemployed into work. The windfall tax is also that rare thing, a politically popular tax.

The authors of the NatWest paper, Geoffrey Dicks and John O'Sullivan, reckon the next most likely bets are raising the rate of corporation tax from 33

per cent to 35 per cent, and phasing out Miras, the tax relief on mortgage interest payments. Together these could raise more than £4bn in a full year.

The UK has a relatively low corporate tax rate now, while strong profits mean the increase would raise a lot of revenue at this stage of the business cycle.

Labour could point out, the paper says, that the burden of putting the public finances on a sounder footing after the last election was borne entirely by individuals. A reversal of the [1991] cut in corporation tax would redress the balance, it says.

Abolishing Miras, the benefit of which has already been steadily reduced by successive Conservative chancellors, would end a subsidy to the housing market that economists have long criticised, at a time when booming prices mean the market would be able to bear it.

Getting rid of Miras would mean in effect increasing taxes on home-owners without breaking any pledges about not raising income taxes.

The list subsequently turns to more controversial measures, with the next three items amounting to income tax increases. Together, the three income tax measures could bring in more than £6bn.

Ending the upper earnings

limit on national insurance contributions would eliminate an untidy fall in the upward progression of marginal tax rates. It would raise tax on middle and upper income earners, and could be packaged with Mr Brown's plans to introduce a 10 to 15 per cent income tax starting rate.

Phasing out the married couples' allowance, already restricted to 15 per cent by the Conservatives, and restricting relief on personal allowances to the basic rate of income tax, would also make the income tax system simpler and more progressive.

Tampering with income tax might appear to be too much of an electoral hot potato for these to be plausible candidates. However, the paper recommends two possible corporate tax measures that appear to be closer to Labour's thinking.

One is the removal of tax relief on companies' interest payments, in order to end the tax system's encouragement of debt over equity finance. The other is the withdrawal of the advance corporation tax credit. These could yield potentially huge revenues.

Finally, the authors consider the extension of VAT to private health and school fees and the introduction of motorway tolls as outside bets.



They're off: And bookies who suspect inside knowledge is being used by punters shorten their odds on long-shots to avoid being stung

More than £85m a year is bet on horse races by people with inside information, according to a paper published yesterday by the Economic and Social Research Council. This is 2 per cent of the total wagered on racing every year, writes Peter Rodgers.

The new statistical techniques used to identify the problem could be employed in the financial markets to identify patterns of insider trading activity, the researchers say in the January issue of the *Economic Journal*. Using an analysis of betting

## A little inside information is worth £85m a year in racing

data on 5,000 horses during the 1992 flat racing season, Leighton Vaughan Williams and David Paton of Nottingham Trent University have identified insider trading patterns by looking at the behaviour of bookmakers in setting odds.

To avoid being stung, bookies

shorten the odds on horses - and raise their profit margins - on certain types of race where they suspect insider knowledge is being used by punters.

This applies particularly to long-shot horses in little known races with large numbers of entrants, where bookmakers are

most fearful of insider activity.

Only in high-class handicap races, which are subject to intense media scrutiny, are the researchers unable to identify any insider trading effects at all.

The ESRC said the research came soon after the Jockey Club admitted the industry

was rife with corruption and race-fixing and that some jockeys were receiving sexual favours in return for inside information. All punters feel the effects of insider trading because of the bookies' reaction in reducing odds, especially on long-shots, the paper said.

The researchers added: "Not all insider trading is illegal in betting circles. Even so, these findings can only provide further ammunition to those seeking to crack down on illegal practices in the racing industry."

### IN BRIEF

• **Liberty International**, the financial services group, tomorrow launches a new low-cost pensions firm called PensionStore, which it said would pay no commission or bonuses to sales staff, and would employ no door-to-door salesmen or cold calling. Liberty said charges would be transparent, with 2 per cent levied on each payment into a fund and 1 per cent a year to cover fund management costs. There will be no charges for increasing or decreasing payments, for taking a break in payments for any reason or for transferring a pension. The move comes days after Eagle Star stepped up competition in the industry with a new low-cost pension.

• **Two thirds of small business owners** believe a minimum wage of £4 an hour would have no effect on their firms, and another 6 per cent believe it would help the business, according to a quarterly survey by Office World. The survey also found that 28 per cent of firms believe a Labour government would hurt their businesses.

• **A record number of the world's leading property investors and bankers** are bullish about prospects for the commercial property market in London, but international bankers have become increasingly nervous about the consequences of a change in government, according to a new survey commissioned by Richard Ellis, the property consultants, from NOP. Some 90 per cent of the bankers interviewed felt a Labour government would force short-term interest rates while 82 per cent feared a rise in inflation.

• **Employers in the UK** spend between 20 and 40 per cent of their payroll on providing benefits for their staff, according to a new survey of firms throughout the UK. Yet almost 80 per cent of employers believe that their staff rarely appreciate what is on offer to them. Barely half the 3,000 companies surveyed by *Employee Benefits*, a new monthly magazine, believed their employees fully understood the full range of benefits available to them.

• **Corporate profits in the UK** have finally passed their pre-recession level but industry has not invested enough in the future and is relying on increased consumer spending and inward investment to sustain the recovery, according to a survey by CEN, the information company.

## British Gas could lose 10% of customers on day one

Chris Godsmark  
Business Correspondent

British Gas is likely to lose 10 per cent of its customers on the first day of trials of domestic competition, starting in the South of England from next month, according to the latest forecast from one of the leading independent suppliers.

Calortex, a joint venture formed by Calor and Texaco, said it had analysed advance contracts signed by its marketing team which showed the interest in moving from British Gas was much stronger than in the first competition trial, which began in the South-west last May.

In this earlier trial about 6 per cent of customers switched on the first day through advance orders, a figure which disappointed some suppliers.

The forecast would mean British Gas could lose around 150,000 customers on the first day of the second phase of the competition trials alone. If the same occurred when full competition is introduced by next year it would mean some

2 million homes rejecting British Gas.

So far 14 companies have been granted licences to sell gas in the second phase of the trials, involving 1.5 million households, which starts in Avon and Dorset from 10 February and in Kent and Sussex from 7 March. Ofgas, the industry watchdog, granted four new licences last week, of which three went to regional electricity companies.

The new trials are seen by industry experts as the real test of whether British Gas will lose a substantial chunk of its customer base, following well publicised complaints over service and billing problems.

Neil Lambert, joint general manager of Calortex, said: "We've found the switch rate is definitely much higher in the second phase than in the first phase. It could easily reach 10 per cent of customers in both sides of the market. Research we did in the South-west suggested people there were less likely to change supplier than in other parts of the country. In the

South-east people are less conservative."

Almost 87,000 customers have so far moved from British Gas in the earlier trial, which involves 500,000 homes in Devon, Cornwall and Somerset. Calortex is thought to be the market leader in the South-west after British Gas.

Customers have been lured by discounts of up to 25 per cent from British Gas prices, with most offering to cut more than 15 per cent off gas bills. Rival companies can take advantage of last year's massive drop in the market price of gas, while British Gas is locked into buying gas at around 25 per cent above the "spot" price through its "take-or-pay" contracts.

A spokesman for British Gas Trading, the supply business, said it was too early to make accurate predictions about the second competition trials. "It's all just guesswork at the moment. We're obliged to lose market share anyway because we're the incumbent monopoly supplier at the moment. But the indicators were in the South-west

that many more customers would switch than actually did in practice. The real test will be over a period of time and not at the beginning."

Rival suppliers are using a variety of advertising and some controversial doorstep selling techniques to persuade customers to switch from British Gas. Eastern Natural Gas, part of the regional electricity company owned by Hanson, has already been criticised by Ofgas for allegedly misleading customers.

Meanwhile, BP announced a £1bn deal to supply Ruhrgas of Germany with 15 billion cubic metres of gas over 15 years, from BP's North Sea fields.

This is BP's first sale of gas to continental Europe from the UK and the first time it has used the capacity it owns on the interconnector pipeline across the North Sea.

BP also said its share of the UK commercial and industrial gas market had more than doubled since August last year when it restructured its gas marketing activities. It is second to British Gas.

## Cook ups profit and dividend forecasts

William Cook yesterday announced an increased profit forecast for the year as Triplex Lloyd examined whether to raise its £8m hostile offer for the Sheffield steel castings firm, writes Peter Rodgers.

The defending company said that in the year to March its profit would be "not less than £11m" before tax, on the strength of recent strong trading and improving order books. The dividend forecast was also raised to 13p for the full year.

The bid from Triplex is at 309p against Friday's close of 370p, and the City is convinced that Triplex will have to decide later this week whether to bid again at well above 400p or withdraw.

William Cook's shares have been tightly held and not widely

traded, with eight institutions owning 60 per cent and family members owning another 7.5 per cent.

William Cook has claimed that this illiquid market in the shares has depressed the market price. This has not reflected the full value of the company, whose rating is low compared with the rest of the sector.

Andrew Cook, chairman, said there were further new orders on the cards as rail companies bought new rolling stock to fulfil franchise commitments, and he urged investors to reject the Triplex bid.

The figures were dismissed as an "immaterial increase" by Triplex Lloyd, which said the latest forecast dividend was still below the level paid in 1991.

## Change to Interest Rates.

With effect from start of business on 20th January 1997 the interest rate set out below becomes applicable to all Practice Call Accounts whatever the balance.

Practice Call Account

Rate per Annum

GROSS% GROSS C.A.R%

4.5% 4.58%

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| STOCK MARKETS  |          |            |            |              |             |         |                |              |             |
|----------------|----------|------------|------------|--------------|-------------|---------|----------------|--------------|-------------|
| FTSE 100       |          |            |            |              |             |         |                |              |             |
| Index          | Close    | Week's chg | Change (%) | 1996/97 High | 1996/97 Low | Vol (m) | FTSE 100 Index | 1996/97 High | 1996/97 Low |
| FTSE 100       | 4207.70  | +151.1     | +3.7       | 4207.70      | 3632.30     | 3.70    | FTSE 100       | 4207.70      | 3632.30     |
| FTSE 250       | 4583.40  | +75.6      | +1.7       | 4583.40      | 4015.30     | 3.40    | FTSE 250       | 4583.40      | 4015.30     |
| FTSE 350       | 2087.70  | +66.4      | +3.3       | 2087.70      | 1816.60     | 3.64    | FTSE 350       | 2087.70      | 1816.60     |
| FTSE SmallCap  | 2287.88  | +53.2      | +2.4       | 2287.88      | 1954.06     | 2.95    | FTSE SmallCap  | 2287.88      | 1954.06     |
| FTSE All-Share | 2061.07  | +64.2      | +3.2       | 2061.07      | 1781.95     | 3.58    | FTSE All-Share | 2061.07      | 1781.95     |
| New York       | 6833.10  | +129.3     | +1.9       | 6833.10      | 5032.94     | 1.98    | New York       | 6833.10      | 5032.94     |
| Tokyo          | 16090.04 | +786.4     | +4.5       | 16090.04     | 13003.65    | 0.88    | Tokyo          | 16090.04     | 13003.65    |
| Hong Kong      | 13856.40 | +664.9     | +5.0       | 13856.40     | 10204.87    | 3.05    | Hong Kong      | 13856.40     | 10204.87    |
| Frankfurt      | 3001.37  | +68.0      | +2.3       | 3001.37      | 2283.36     | 1.52    | Frankfurt      | 3001.37      | 2283.36     |

Source: FT Information

| INTEREST RATES                |       |       |       |       |       |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| UK interest rates             |       |       |       |       |       |       |       |       |       |
| Bank of England base rate     | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 3 month                       | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 6 month                       | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 12 month                      | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| US interest rates             |       |       |       |       |       |       |       |       |       |
| Federal Reserve discount rate | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 3 month                       | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 6 month                       | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 12 month                      | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Money Market Rates            |       |       |       |       |       |       |       |       |       |
| 3 month                       | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 6 month                       | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 12 month                      | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Bond Yields                   |       |       |       |       |       |       |       |       |       |
| 3 month                       | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 6 month                       | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| 12 month                      | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |

| CURRENCIES |        |         |        |        |         |        |        |         |        |
|------------|--------|---------|--------|--------|---------|--------|--------|---------|--------|
| £/\$       |        |         |        |        |         |        |        |         |        |
| £/\$       | 1.6680 | +2.38c  | 1.5105 | 1.6680 | +2.38c  | 1.5105 | 1.6680 | +2.38c  | 1.5105 |
| \$/£       | 0.6000 | -0.0005 | 0.6000 | 0.6000 | -0.0005 | 0.6000 | 0.6000 | -0.0005 | 0.6000 |
| £/DM       |        |         |        |        |         |        |        |         |        |
| £/DM       | 1.6111 | +5.38p  | 1.4790 | 1.6111 | +5.38p  | 1.4790 | 1.6111 | +5.38p  | 1.4790 |
| DM/£       | 0.6206 | -0.0005 | 0.6206 | 0.6206 | -0.0005 | 0.6206 | 0.6206 | -0.0005 | 0.6206 |
| Pound vs.  |        |         |        |        |         |        |        |         |        |
| £/\$       | 1.6680 | +2.38c  | 1.5105 | 1.6680 | +2.38c  | 1.5105 | 1.6680 | +2.38c  | 1.5105 |
| \$/£       | 0.6000 | -0.0005 | 0.6000 | 0.6000 | -0.0005 | 0.6000 | 0.6000 | -0.0005 | 0.6000 |
| Dollar vs. |        |         |        |        |         |        |        |         |        |
| £/\$       | 1.6680 | +2.38c  | 1.5105 | 1.6680 | +2.38c  | 1.5105 | 1.6680 | +2.38c  | 1.5105 |
| \$/£       | 0.6000 | -0.0005 | 0.6000 | 0.6000 | -0.0005 | 0.6000 | 0.6000 | -0.0005 | 0.6000 |

Source: Reuters



GAVIN DAVIES

The vacancies total has risen by a remarkable 40 per cent during 1996, to a level consistent with GDP growth of well above 4 per cent, which would almost certainly lead to a rise in inflation pressures if seen during 1997.

## Why the Bank is probably right on rates again

Press reports have suggested that officials of both the Treasury and the Bank of England recommended that the Chancellor should have raised interest rates last Wednesday, but once again Ken Clarke turned down this advice. Despite the fact that Christmas retail sales were only so-so, and that recent inflation data have been encouraging, at least in the manufacturing sector, it seems to me that the balance of the argument once again favours the politically impartial judgement of Bank and Treasury officials, rather than that of the Chancellor. Nevertheless, the case is by no means open and shut. There are three main areas for debate.

The first is the extent of labour market tightening in the economy at present. The official unemployment statistics which were published last week for December would certainly seem to leave no room for debate. The decline of 45,000 in the claimant total (a definition which includes only those unemployed people actually claiming benefit), following the record drop of 95,000 the previous month, means that the official figures have never before fallen as fast as they did in the final quarter of 1996.

Yet there are definite reasons for believing that these figures are distorted. According to the Department for Employment, the replacement of unemployment benefit by the jobseekers' allowance has reduced the claimant total by a maximum of 35,000 in the past two months, which explains about one quarter of the decline.

Furthermore, the alternative important source of information about the labour market – the Labour Force Survey (LFS), which is based on sample surveys of the population at large – indicates that a significant proportion of the rise in unemployment between last September and November might have been due to a toughening in benefit procedures.

Between these months, the LFS shows that

claimant unemployment fell by 117,000, while non-claimant unemployment actually rose by 85,000, a combination which suggests that a large number of people have been pushed off benefit and into the "lump" of invisible unemployed. If this is indeed the case, then the labour market is not tightening by anything like as much as the decline in the claimant unemployment total suggests.

Even allowing for this factor, however, there is plenty to worry about. As the graph shows, the ratio of unfilled job vacancies to short-term unemployed, which is one good measure of labour market slack, has risen to record levels, both on the LFS and on the claimant measure of unemployment.

The vacancies total has risen by a remarkable 40 per cent during 1996, and in the past the current level of vacancies has always been consistent with GDP growth of well above 4 per cent, a figure which would almost certainly lead to a rise in inflation pressures if seen during 1997.

This brings us to the second area for debate, which is the accuracy of the GDP figures. This is clearly crucial for Mr Clarke, since every time the Chancellor takes a decision on base rates, he refers to recent

GDP growth as one of the prime considerations in his mind.

On the latest published data it seems that GDP in 1996 has expanded by only 2.3 per cent. Taken at face value, this looks like a comfortable situation, in view of the fact that the underlying growth of capacity in the economy is probably around 2.5 per cent per annum, and that the level of output may still be about almost 3 per cent below trend.

But the conclusion would look very different if the government statisticians were under-reporting the level and growth of GDP by a meaningful amount, as they have frequently done in the past.

Unfortunately, it seems quite likely that this will turn out to be the case, even though the Office for National Statistics (ONS) has been making strenuous efforts to correct the problem.

The graph (prepared by David Walton of Goldman Sachs) shows how important the mis-measurement of GDP could prove to be in assessing whether the economy is currently generating latent inflationary pressures.

After a recent study of their own past track record, ONS statisticians have reported that their initial estimates of the annual rate of

GDP growth typically prove around 0.7 per cent too low during the upswing phase of the economic cycle. Using this result, Walton calculates that the correct level of output at present is 2 per cent higher than the official data indicate, which in turn is only fractionally below the normal capacity of the economy.

Furthermore, if we make the more pessimistic assumption that GDP is being under-recorded by the same amount as it was during the exact same phase in the 1980s economic upswing, then output is actually a little above capacity.

Although this may seem to be straining every sinew to see the dark side of life, it would certainly explain why the labour market is tightening so markedly at present. And since the growth of output looks certain to be above trend this year, the situation is likely to worsen before it improves. When Goldman Sachs has argued this before, some people have accused us of making up the GDP data to suit our purposes. We disagree.

If the ONS openly admits that it has a repeated tendency to underestimate GDP in the present phase of the cycle, then this is surely something which we should build into our central assessment of economic

conditions today – or we should certainly do so if we have a risk-averse approach to the control of inflation. If policymakers had done this at similar junctures in the past, some of our most damaging macro-economic policy errors would have been avoided.

This leaves the third and most difficult area for debate, which is whether the rise in sterling obviates the need for higher interest rates at home. The Chancellor seems to think so, to judge from the vehement way he described the disinflationary effects of sterling's rise on Thursday.

In fact, listening to his emphasis on the exchange rate, it was hard to imagine another rise in base rates occurring before the election. He has a point here. If sterling stays where it is, then it will tighten overall monetary conditions enough to ensure that the inflation target is hit over the next 18 months, even with base rates no higher than the present 6 per cent.

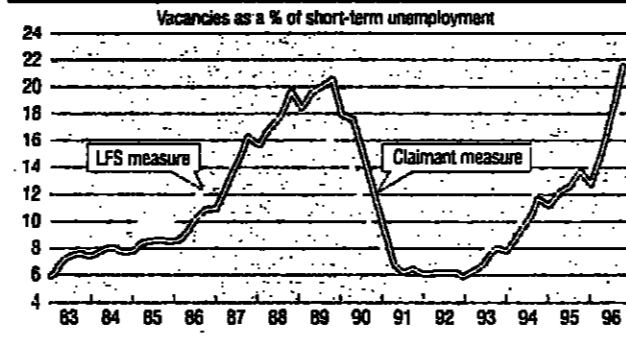
In fact, when we weight together sterling and interest rates into a single monetary indicator (a procedure which the Bank of England hates, with some justification), we find that, thanks to sterling, monetary policy has already tightened by more in the current episode than it did in 1994/95, when base rates rose by a point and a half.

But the great question is why sterling should remain this high if base rates do not rise. Much of the exchange rate appreciation has been directly due to the anticipation of higher base rates, while a significant element is, quite frankly, difficult to explain in terms of standard or "fundamental" economic models.

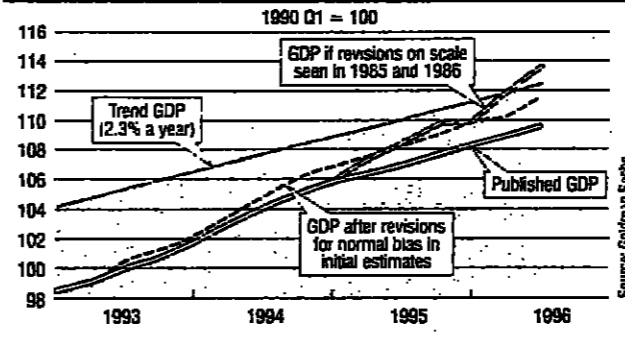
Probably some of the rise will therefore prove "frothy" and unreliable, while much of the rest is dependent on the Chancellor eventually choosing to raise base rates.

If we arrive in the summer without a significant further base-rate rise, sterling will drop back and latent inflation pressures will be unleashed.

Vacancies and unemployment



The potential effect of data revisions on GDP



Scottish fund managers have their own upheavals to contend with, reports Magnus Grimond



Edinburgh: Not such a haven of stability these days

Photograph: Geraint Lewis

## Turmoil spreads north of the border

There is very little feeling of *Schadenfreude* north of the border over the fate of Nicola Horlick, the head of Morgan Grenfell's pensions business suspended after allegations that she tried to lead a mass defection from the group. The Scottish fund management industry is still feeling bloodied, if mostly unbothered, in the face of its own upheavals.

Ivory & Sime, one of the pillars of the Scottish industry, is shortly expected to announce appointments to plug some of the gaping holes that have opened up since it was hit by a new wave of staff defections last week.

News of the latest departures from the Charlotte Square-based group drew groans rather than stunned surprise from its rivals, given that the uneasy relationship between Ivory and its senior employees has been a theme running through its activities for at least 20 years.

The imminent departure of Mark Tyndall, head of Ivory's UK investment department, Lindsay Whitelaw, manager of its Baroness investment trust, and John Todd, leader of the smaller companies team, along with his deputy Derek Stuart to set up their own "boutique" fund management operation follows a well-trodden path.

The genesis of fund managers Ivory & Company, now Stewart Ivory, in 1980 was the departure of directors from I&S, while 10 years later, five senior Ivory & Sime executives left to set up Aberdeen Partners.

It is clear that the problems at Ivory & Sime have not been cured by the arrival of the wealthy Caylor family's Caledonia Investments with what was in effect a controlling stake of just under 30 per cent in 1994. Colin Hook, the former army officer put in as managing director by Caledonia, has been criticised for his autocratic management style.

One senior Edinburgh fund manager described him as: "A spare, ascetic, ram-rod figure: distant and rather unapproachable. He is very determined, with a clear idea of

what he wants and where he is going, but not a very sympathetic figure to drag along those he wants to take with him."

His decision to remove fund managers from the board and replace them with "businessmen like himself" bruised some fragile egos and is likely to have contributed to the problems, according to this source.

But while the travails of Ivory & Sime may be largely self-inflicted, they are giving little satisfaction to the rest of the industry. Once a picture of stability when viewed against the maelstrom of scandal and defections which have rocked the City of London, the waves from the South have started to lap against the shores of Charlotte Square.

The sale of Dunedin to Edinburgh Fund Managers by the Bank of Scotland nearly a year

**Ivory & Sime's travails give little satisfaction to the rest of the industry**

ago was precipitated by an unprecedented wave of senior staff departures.

Then in October came the news that General Accident, with £26bn under management, was moving its main investment department from Perth to London, with the loss of 30 fund management jobs in Scotland.

Hamish Buchan, the well-respected investment trust analyst at NatWest Markets in Edinburgh, says these problems tend to take a higher profile in the relatively small world of the Scottish financial scene. But he concedes: "As a Scot and a board member of [the Government-backed] Scottish Financial Enterprise, I am not encouraged by all this. I am by temperament more of a bear than a bull."

Once the perception was that the industry north of the bor-

der turned in a superior performance to its London counterpart. "Since Big Bang, the image of the average Scottish fund manager being more isolated, more analytical, has gone, now that everyone works off a screen," says Mr Buchan.

Mike Balfour, joint managing director of Edinburgh Fund Managers, thinks the industry needs to sell itself more. "I think the Scots have been slow off the ground to market properly and the City of London has been some way ahead of us in that."

But he believes there are still tremendous opportunities for Scottish players as the big, integrated houses south of the border rack up problems with performance and compliance.

Such confidence is only partially shared by Colin McLean, founder of Scottish Value Management, a small fund management group which has made waves in recent years.

He sees Ivory & Sime's difficulties as just part of the declining margins and moves towards indexation or "passive management" of funds which are hitting the industry worldwide.

Many Scots fund managers would agree that these trends have had a disproportionate effect on medium-sized groups, in the £2bn to £10bn bracket.

Not large enough to handle the big fund mandates, where indexation is playing an increasing role, some have found it difficult to compete against the boutique groups for the more digestible actively managed portfolios.

The Scottish industry, heavily concentrated in this part of the market, looks particularly vulnerable. Mr McLean believes that as long as it retains its stability, the strength of Scotland's still mainly unquoted industry – leanly managed and nimble – will show through.

But the unstated threat nagging at many in the industry is that more bad publicity of the type it has suffered over the past 18 months could wipe out its reputation and with it that unique selling proposition which has made it so successful.

## Overseas predators target UK firms

Worries over Britain's attitude towards monetary union have not deterred foreign firms from rushing to snap up UK firms, making them Europe's number one takeover targets, a survey revealed today.

The study, for the corporate finance arm of accountants KPMG, found that sales of UK businesses to overseas buyers reached a new high of \$38.5bn (£23bn) in 1996, up 8 per cent on the previous year.

Some 5,500 cross-border deals

were included in the survey. Foreign takeovers of UK firms exceeded the total for all the other European Union countries combined, the survey discovered.

The head of mergers and acquisitions at KPMG corporate finance, Stephen Barrett, said: "International companies evidently believe that the UK is the best base for expansion in Europe – and they are not being put off by the prospect of Britain missing the first stage of European monetary union."

American firms headed the spending spree, splashing out more than £11bn on UK takeovers, particularly in the rush to buy regional electricity companies (RECs).

Among the RECs snapped up by US utilities were London Electricity, East Midlands Electricity and Northern Electric, although not without a protracted fight in Northern's case.

But while the world investment scene may continue to accelerate, Britain may see a

slowdown in 1997, Mr Barrett said, as a hiatus inevitably comes with an election, regardless of the political outcome.

And because the RECs are mostly in foreign hands now, with only a couple still independent, the boost which came in 1996 will be missing.

While German and French firms cut their investment in the UK, other countries were waiting to take their places.

World-wide, only US firms topped the predators' preference

for UK targets, attracting a record £41bn worth of mergers. The value of UK firms sold topped the level of foreign firms bought by British companies for the second year running.

In the buying stakes, Britain regained its appetite for overseas deals, spending more than £20bn, up almost a quarter on the previous year. The US proved to be the top target for UK firms as acquisitions rose 25 per cent to £9.3bn, followed by France, Germany and Australia.

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## science

# Transplants? Pigs might fly

Saving human lives with animal organs seems less likely after a report last week revealed new genetic concerns. Could we still put pig hearts in our chests? Charles Arthur reports



Inoperable: a successful transplant of pig parts into humans is likely to remain as unattainable as a silk purse

Photograph: Andy Stenning

Pigs don't get gout. This may seem a peculiar piece of knowledge – that swine never have to worry about the excruciating pain caused by uric acid crystallising in their extremities.

But for thousands of people waiting for organ transplants, it may be an important fact, and could mean that the science of xenotransplants – animal-to-human transplants – will not work.

Pigs' goutlessness points up some significant differences between humans and pigs; and it highlights some of the significant gaps in our scientific knowledge in this area.

First, the background. Last week, a report into the ethical and scientific issues of xenotransplants, by a committee chaired by Professor Ian Kennedy of King's College London, approved the procedure on ethical grounds.

But they were less sure about the scientific ground. They were especially concerned about new evidence suggesting that genes coding for AIDS-like viruses known as retroviruses, which have become incorporated by evolution into pigs'

DNA, could pass to humans undergoing xenotransplants.

Accordingly, they recommended a delay on allowing xenotransplants until the scientific evidence is clear. The Government, still smarting from the effects of BSE and worries over Creutzfeldt-Jakob Disease (CJD), seemed happy to accept such advice.

Even the basic science of xenotransplants is complex. Each of our cells contains a "flag" on its surface which identifies it as, first, ours, and secondly, human. If you were to transplant a pig organ into a human, the blood vessels of the implanted organ would be broken down within hours by an immune reaction generated by the human system. It was tried in India last year. Both organ and patient died.

There is no denying the demand for more organs. At least 6,000 people are waiting for transplants in the UK.

Imutran, a Cambridge-based company which includes transplant specialists from Papworth Hospital, has thus developed pigs which contain human genes. This means that each of the pigs' cells carries a

human "flag". In theory, at least, this should mean that you could implant one of those organs into a human being and, using the same immuno-suppressive drugs as in a human-to-human transplant, extend the patient's life. Monkeys given pig hearts in trials by Imutran have survived for up to 63 days, says Christopher Samler, the company's chief executive.

But that doesn't compare well with people, where a human heart or kidney transplant can give years of added life. And there are still areas in which the whole science of xenotransplants is very vague. Retroviruses received the most publicity. These incorporate their genetic material into the host's; it is copied each time that cell reproduces. Eventually, the virus is activated, when it may kill the host – or do nothing. Examples have been found in mice, chickens – and, crucially, in pigs. Humans may have them too, lurking in DNA.

A pig retrovirus, though, might have a devastating effect on a human, and on the human population. Nothing would be predictable about its infectiousness or effects. It may not harm pigs – they've had millions of years to adapt to them. Humans have not.

Last year, Professor David Onions, of Glasgow Veterinary School, discovered such a retrovirus in pig DNA. It could multiply in human cells in laboratory culture. But he says, "that doesn't necessarily mean that it is expressed in the whole animal." He explains: "The bulk of evidence is that these [retrovirus] genes are totally switched off in normal situations. We have the molecular sequence of the retrovirus, so we can see if it is expressed after the transplant."

He expects that the results will be available before autumn. He hopes they are negative: "If they are, it's for others to review them, but I would think you could go ahead with the transplantation trials in humans, providing they were fully informed of the risks."

But Professor Robin Weiss, of the Institute of Cancer Research, thinks that would be premature, overlooking the reality of results which are known – that new infectious diseases can pass from animals to humans, and that they can

be more serious in the new form than in the old.

"What if a microbe grows in the recipient's tissue and is passed to everyone they contact? People say that's far-fetched, but it has happened. Where did HIV come from? It was unknown in the human population 30 years ago. It seems to have transferred across from monkeys. We don't know how; it was a very rare genetic event, probably, but it adapted very quickly to us."

"In Australia, there have been two deaths of people who have caught a measles-like disease from horses which have been suffering from a disease resembling distemper. Some forms of influenza come from pigs, such as the great flu epidemic of 1919." The trouble with Professor Onions' new experiment, he says, is that the check for the retrovirus's expression cannot be comprehensive. It may only need to happen once to be catastrophic.

This takes the debate into that of balancing "acceptable risk" against "possible harm" – an area where it is almost impossible to get agreement between those such as

Imutran, eager to realise commercial potential of xenotransplants, and critics who want to know everything about the science behind the topic.

The whole enterprise might be overturned by some odd physiological facts about pigs. Professor Mark Walport, of the Royal Postgraduate Medical School in London, explains why pigs don't get gout. "They have an enzyme which breaks down uric acid into soluble products. Humans have lost this enzyme at some point in our evolution. That means pigs' kidneys aren't used to filtering blood containing uric acid. But we excrete 50 per cent of it through our kidneys. How would a pig's kidney cope?"

Similar unknowns may lurk in the heart, and liver transplants between species will never be a reality because of the complexity of the processes that livers perform. There is a mountain to climb before xenotransplants to humans become reality. "I hope something will go ahead in the long run," says Professor Weiss. "I just think that we shouldn't run before we can walk." Or, indeed, trot.

## technoquest

Questions and answers provided by Science Line's Dial-a-Scientist on 0345 600444

**Q Will ice caps melted by global warming raise sea levels in the next century?**

**A** Present forecasts put the rise at about 60cm by the end of the next century – but that is expected to be due to thermal expansion of water already in the oceans. Ice caps are not expected to melt significantly until later in the 21st century.

**Q As ice is less dense than water, surely the sea level would fall if the ice caps melted?**

**A** Melting ice in the Arctic, which floats in the ocean, would not affect the sea levels. But ice in the Antarctic is on top of a large piece of land; melting it would raise the sea level. The volume of ice in the Antarctic is 30 million cubic kilometres and accounts for more than 90 per cent of all fresh water on Earth. If this melted, sea levels would rise so much that Big Ben would be under water.

**Q When a cat gets fat, do its whiskers grow longer?**

**A** No. The length of a cat's whiskers are set genetically. If a cat grows fat, the whiskers become too short to be useful as "width guides". The cat could get stuck if it tries to squeeze through a hole that its whiskers tell it it can get through.

**Q Can you use a yo-yo in zero gravity?**

**A** Not properly. Gravity-reliant tricks such as "walking the dog" would be tricky, and "cat's cradle" would be impossible, but you could make the yo-yo leave and return to your hand by flicking your wrist. What would be bizarre would be the fact that the yo-yo could go up and down the string in any direction. It would move quite slowly, and whether it would spin is debatable. If it didn't, getting it to roll back up again would be tricky due to lack of tension in the string.

**Q Do bald people get dandruff?**

**A** Yes. Dandruff is caused by bacteria, yeast and fungi on the scalp, and these can live without hair. However, dandruff is more common in people with hair, as it helps trap heat and water, providing ideal living conditions for such bugs.

You can also visit the technoquest World Wide Web site at <http://www.campus.bt.com/CampusWorldpubSciencenet>

Questions for this column can be submitted by email to [chris@bss.org](mailto:chris@bss.org)

## theoretically...

**Did the 1997/8 budget for science**, announced last week by the Department of Trade and Industry, go up or down? It depends on who you listen to.

The DTI says that the figure of £1.33bn is an £18m cash increase over the previous year. Most of that is new money – £17m – allocated to research into BSE and CJD.

But Save British Science, the pressure group, points out that to maintain the real value would have required a cash increase of about £32m. Simple maths suggests that this makes the budget announced equivalent to a £14m funding cut.

The row, however, may be rendered academic by the general election and consequent changes in public spending.

**BSE isn't caused by misshapen** PrP proteins, claims a French team of researchers. Their surprising result fol-

lows experiments in which BSE-infected material was injected into lab mice. About half of the mice did not have any of the insoluble "prion" protein in their brain at death; but the disease could be passed on by inoculating extracts from those brains into other mice, said Corinne Lasmezas of the French Atomic Energy Commission's research labs.

While not demolishing the "prion" theory, the work will reinvigorate those who claim that the theory is fallacious, while antagonising its supporters. Expect pitched battles in the journals.

**Hepatitis vaccination** could one day require a visit to the grocer. A team in Japan intends to grow genetically engineered tomatoes that would express the antigen (the protein that stimulates the immune response) to hepatitis B. They have already produced tobacco plants whose leaves contain the antigen, and which can be used to test for infection in humans. The next step? The edible vaccine.

**Abysmally black and lifeless.** filled only with a soup of sub-atomic particles: no, not your least favourite seaside resort, but our very own universe in the distant future. The very distant future, that is. The lifeless existence described at last week's meeting of the American Astronomical Society by astrophysicists Fred Adams and Greg Laughlin won't start until the year 10<sup>20</sup>.

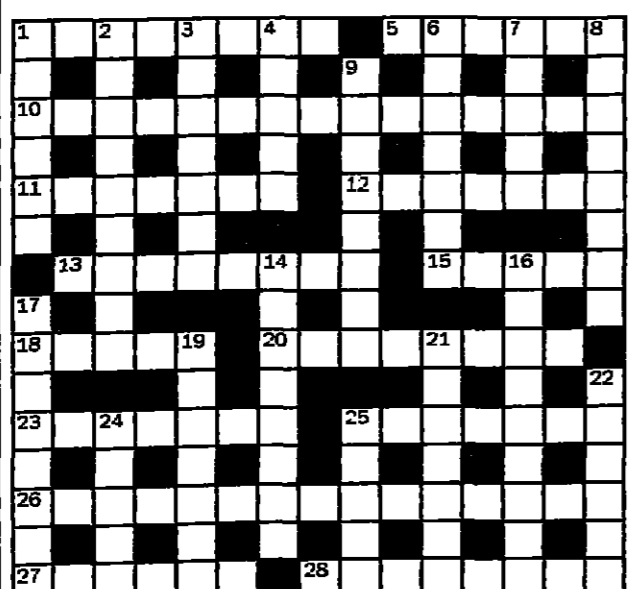
However, it does suggest that the universe won't head towards a "Big Crunch", but will keep expanding and cooling. Plenty of time to visit Blackpool first, though.

**A mild correction** to last week's article on fusion. The wrong conversion rate was used to derive the sterling equivalent of the ecu. The Joint European Torus (JET) project points out that the total spending on fusion projects in Europe has been about 4.4 billion ecu over the past 10 years – equivalent to about £3.3bn, not £6bn as reported.

## THE INDEPENDENT CROSSWORD

No. 3200, Monday 20 January

By Porcia



- ACROSS**
- Force player with bribe (8)
  - Bring up barrel of fish (6)
  - Stan's here asking about deceitful person (5,2,3,5)
  - Requies sweetheart to put on new evening dress (7)
  - Alert soldiers entering the Northern pass (7)
  - Ready reckoner? (8)
  - Found a way round pitch (5)
  - Audibly rebuke European (5)
  - Reduce profit element but make a living (8)
  - Public's passion for scandal (7)
  - Sequence about Greece causes annoyance (7)
  - Isn't showing resistance all the same (1,3)
  - Deny French man key point (6)
  - Sentence that's laughable? (3-5)

- DOWN**
- Future of the musical (6)
  - Hunt out tune specially composed for singer (9)
  - Shortest route taken by workers (7)
  - Dog Latin? (5)
  - Looks for compliments (7)
  - Americans question sailor held in port (5)
  - Be reluctant to correct hasty English (8)
  - Food ministry's divided about Oriental dish (4,4)
  - A pupil of German dramatist creates ballet role (8)
  - Agree with one working for music producer (9)
  - Rather out of order to display vessel (8)
  - Court proceedings make sense (7)
  - It cleans the skin does this soft soap (7)
  - A good number outside run after ass (6)
  - Great figure in art tangled with (5)
  - Copper plate made to go between (3,2)

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